

PUBLIC DISCLOSURE

October 1, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Bank of Beverly Hills
Certificate Number 32069**

**23901 Calabasas Road, Suite 1050
Calabasas, California 91302**

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low-and moderate-income neighborhoods, consistent with 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.

TABLE OF CONTENTS

I.	Institution Rating	
a.	Overall Rating.....	1
b.	Summary of Major Factors Supporting Rating.....	1
c.	Performance Test Ratings Table.....	3
d.	Description of Institution.....	4
e.	Scope of Examination.....	6
II.	Los Angeles AA (reviewed using full-scope examination procedures)	
i.	Description of Institution's Operations	7
ii.	Conclusions with Respect to Performance Tests.....	9
III.	Appendix	
a.	Scope of Examination Tables	20
b.	Glossary.....	21

INSTITUTION RATING

INSTITUTION'S CRA RATING: *The institution is rated Substantial Noncompliance.*

Overall, First Bank of Beverly Hills (FBBH) has a substantially deficient record of helping to meet the credit and community development needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following points summarize FBBH's overall performance.

Lending Test

FBBH is rated **Substantial Noncompliance** under the Lending Test.

- The bank's lending levels reflect a very poor responsiveness to the credit needs of its AA.
- A very small percentage of loans are within its AA. The bank originated approximately 17 percent by number and 19 percent by dollar volume of loans within the AA.
- The geographic distribution of loans reflects a very poor penetration throughout the AA, particularly to low- and moderate-income geographies.
- The bank exhibits a very poor record of serving the credit needs of the most economically disadvantaged areas of its AA and very small businesses, consistent with safe and sound banking practices.
- The bank originated a low level of community development loans. The institution's level and trend of community development lending has significantly declined from the prior CRA evaluation.
- The bank does not make use of innovative and/or flexible lending practices in order to serve AA credit needs.

Investments Test

FBBH is rated **Low Satisfactory** under the Investment Test.

- The bank has an adequate level of qualified community development investments and grants, but is not in a leadership position.
- The bank's level of qualified community development investments reflects a good responsiveness to credit and community economic development needs.
- The bank rarely makes use of innovative and/or complex investments to support community development initiatives.

Services Test

FBBH is rated **Needs To Improve** under the Service Test.

- The bank provided few, if any, community development services. Only five employees showed limited participation in three qualified community development services during the review period.
- The bank operates one full service branch. Location, banking hours, and alternative delivery systems are reasonably accessible to essentially all portions of the bank's AA.
- The bank closed one branch located in Beverly Hills, California during the review period. The closing of this branch has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. No branches have been opened.
- Services do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies and/or individuals.

Fair Lending or Other Illegal Credit Practices Review

No evidence of antidiscrimination laws and regulations or illegal credit practices inconsistent with helping to meet community credit needs was identified.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

The following table indicates the performance level of **FBBH** with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	First Bank of Beverly Hills		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory		X	
Needs to Improve			X
Substantial Noncompliance	X		

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

FBBH is a subsidiary of Beverly Hills Bancorp Inc (BHBC), which is a financial holding company. The bank is a state-chartered commercial bank with one branch in Calabasas, California, which is also the BHBC administrative headquarters. The bank has loan production offices in San Francisco, Orange County, Torrance (South Bay), and Temecula. The bank also uses a broker network to obtain commercial loans in the western states. FBBH is a former Office of Thrift Supervision (OTS) bank that changed charter, effective September 2005.

The bank is principally a large real estate lender focusing on permanent and construction loans for commercial and multi-family properties in California and other western states. In addition, the bank invests in AAA-rated government sponsored enterprise (GSE) mortgage-backed securities. The primary sources of funding are deposits, Federal Home Loan Bank (FHLB) advances, repurchase agreements, and various short- and long-term borrowing facilities. Income property loans include primarily adjustable rate loans secured by commercial and multi-family properties located in California and other western states, particularly Nevada and Arizona.

The objective of FBBH's current lending strategy is to provide real estate financing to a diversified customer base, including developers, investors, and owners/users. No significant business strategy changes occurred since the previous evaluation. According to FBBH management, the institution's current lending strategy is to originate large commercial real estate and construction loans for housing developments. In October 2006, the bank expanded its loan product line to include construction lending for large commercial and multi-family projects. The institution does not originate residential mortgages.

The business of operation and availability of products are tailored to the convenience and needs of its customers. The bank also operates a web site, www.fbbh.com, which offers general operating information on its personal and business banking deposit services, its western state lending programs, and general background information. The bank has closed one branch since the prior evaluation of June 24, 2004. The bank does not operate automated teller machines (ATMs).

The June 30, 2007, Consolidated Report of Condition (Call Report) reported total assets of \$1,564,471,000, total deposits of \$714,086,000, total loans of \$1,041,066,000, and total capital of \$141,034,000. Total loans represent approximately 66.5 percent of the bank's total assets. As shown in Table 1, on the following page, the volume of Construction and Land Development, Commercial Real Estate, and Commercial and Industrial loans total \$1,026,335,000, or approximately 98.6 percent of total loans.

Table 1, below, represents the breakdown of the bank's loan portfolio as of June 30, 2007.

Table 1 - Loan Distribution as of June 30, 2007		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	189,713	18.2
Farmland	0	0
1-4 Family Residential	17,790	1.7
Multi-Family (5 or more) Residential	339,244	32.6
Commercial Real Estate	494,475	47.5
Total Real Estate Loans	1,041,222	100.0
Commercial and Industrial	2,903	0.3
Consumer	180	nominal
Other	0	0
Less: Unearned Income	<3,239>	<0.3>
Total Loans	1,041,066	100.0

Source: June 30, 2007 Report of Condition (Call Report)

There does not appear to be any economic or financial impediments that prevent the bank from helping to meet the credit needs of its AA. Earnings, capital, and liquidity appear sufficient to support the bank's lending activity.

The institution's average net loan-to-deposit ratio for the 8 quarters since the charter change is 135.1 percent. The extremely high net loan-to-deposit ratio is attributed to the institution's business strategy of utilizing a combination of both short- and long-term FHLB borrowings and brokered deposits to fund its commercial loans. The institution's balance sheet reflects this business strategy.

SCOPE OF EXAMINATION

FBBH was evaluated using large bank CRA examination procedures. Current FDIC CRA evaluation guidelines define a large bank as one that had total assets of \$1.033 billion or more as of December 31 of the prior two calendar years. Examiners evaluated FBBH's CRA performance in the context of the following six points:

- The current economic environment;
- Demographic characteristics of its AA;
- Lending and community development opportunities within its AA;
- The bank's financial resources and constraints;
- The bank's product offerings and business strategy;
- Information derived from community contacts.

This evaluation reflects the bank's CRA accomplishments since the June 24, 2004, Performance Evaluation. The examination was conducted at the bank's main office in Calabasas, California. Examiners relied upon records and reports provided by the bank; publicly available loan, and financial information; demographic data from the U.S. Census and Dun & Bradstreet (D&B); and other information gathered as part of the evaluation process, including community contacts. The scope of examination is further summarized in Appendix A. Terms utilized in this evaluation are defined in Appendix B.

Commercial and multi-family loans comprise approximately 98.6 percent of the bank's loan portfolio as of June 30, 2007. The bank extends credit for large commercial real estate and construction loans for housing developments. Loans are typically made in amounts of \$5 to \$10 million. Residential 1 to 4 family loans represent a nominal 1.7 percent of the bank's total loan portfolio. The bank did not collect optional consumer loan data, because consumer loans do not comprise a substantial majority of the bank's lending activities. Consumer and residential 1 to 4 family loan products were not reviewed. Small business loans and multi-family loans originated and/or purchased by the bank were evaluated for this review period.

Loans reported pursuant to the data collection requirements for CRA small business loans for 2004, 2005, 2006, and year-to-date (YTD) 2007 (June 30, 2007) in the bank's AA were reviewed. During the period of review, the bank originated and/or purchased 296 multi-family loans totaling \$545.4 million and originated 89 small business loans totaling \$52.6 million.

All aggregate peer data used in the analysis is for the years 2004 and 2005. The bank's lending performance is also compared to the 2004 and 2005 percentage of total businesses as reported by D&B, and 2000 U. S. Census data based upon the updated Office of Management and Budget Metropolitan Statistical Area (MSA) and Metropolitan Division (MD) boundaries that became effective January 1, 2004. Community development loans, qualified investments, and community development services were evaluated since the prior performance evaluation, dated June 24, 2004, through the date of this evaluation, October 1, 2007.

More weight was given to multi-family lending, as multi-family loans represent 77 percent by number, and 91 percent by dollar volume, of the bank's lending activity for the review period. However, there has been a significant decline in multi-family lending to negligible figures since

2005.

Evaluation of the bank's lending performance focused on the number of loans originated or purchased in the bank's AA. Tables that show the distribution of lending by dollar volume and number of loans are presented for AA concentration only. The bank's performance by dollar volume is not substantially different than performance by number.

Because of the low volume of small business lending within the AA for the review period, no meaningful analysis could be performed. Therefore, no analysis was performed on small business loans in the geographic distribution and borrower profile. Details are provided under the Lending Activity section.

FBBH operates in a highly competitive market in the Los Angeles AA. According to the June 30, 2007, Summary of Deposits Market Share Report, there were 144 commercial and savings institutions represented by a total of 1,117 branch offices located in the AA. These institutions had approximately \$234.0 billion in deposits. For the same time period, FBBH ranked 43rd, with approximately 0.31 percent of the deposit market share.

FBBH's loan performance was analyzed for a 3.5-year period and was compared to 2 similarly situated institutions. However, the lending performance of the peers occurred during shorter time frames, so a direct comparison cannot be made. The similarly situated institutions were evaluated over a 1.5- and 2-year time frame, respectively, and both out performed FBBH.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN LOS ANGELES ASSESSMENT AREA

The institution has designated one AA, which is referred to as the Los Angeles AA. The Los Angeles AA consists of Los Angeles County, which comprises the Los Angeles-Long Beach-Glendale, California MD #31084.

FBBH operates one branch office in the Los Angeles AA. The branch is in an upper-income census tract. Services offered by the bank's branch include similar industry-wide financial services. The bank does not operate any ATMs in its AA.

DESCRIPTION OF ASSESSMENT AREA

The AA is densely populated, contains metropolitan areas, and is economically and demographically diverse. The AA complies with the technical requirements of the regulation, and does not arbitrarily exclude low- and moderate-income neighborhoods. Table 2 shows the income levels of the census tracts in the Los Angeles AA.

Table 2 – Distribution of Census Tracts within the Los Angeles AA		
Census Tract Type	Number of Census Tracts	% of Census Tracts
Low-Income	179	8.7
Moderate-Income	581	28.3
Middle-Income	575	28.0
Upper-Income	703	34.2
NA	16	0.8
Total	2,054	100.0

Source: 2000 U.S. Census

Low- and moderate-income census tracts account for 8.7 percent and 28.3 percent, respectively, of the total number of tracts within the AA. The total population of the AA, according to the 2000 U.S. Census, is 9,519,338. Based on an estimate from the Department of Housing and Urban Development (HUD), the 2007 adjusted median family income (MFI) for Los Angeles County is \$56,500. The MFI is used to determine the income level for each census tract, when evaluating geographic distribution of the institution's lending among low-, moderate-, middle-, and upper-income census tracts.

There are 769,909 businesses located in the Los Angeles AA. Of this total, 510,276 businesses, or 66 percent, are considered small businesses (businesses with gross annual revenues (GARs) of \$1 million or less). Approximately 7.8 percent and 20.5 percent of total businesses are located in low- and moderate-income census tracts, respectively, which is generally consistent with the make-up of local communities. Commercial lending opportunities appear to be available in all geographies of the bank's AA, including low- and moderate-income areas, as shown in Table 3.

Table 3 – Distribution of All Businesses within the Los Angeles AA		
Census Tract Type	Number of Total Businesses	% of Total Businesses
Low-income	59,764	7.8
Moderate-income	158,105	20.5
Middle-income	202,187	26.3
Upper-income	344,045	44.7
N/A	5,808	0.7
Total	769,909	100.0

Source: 2006 D & B

Economic data

Los Angeles AA

The Los Angeles economy has clearly slowed in recent months. This slowdown is not confined to construction and related industries but extends broadly to travel and tourism, retailing, and transport services. The Los Angeles housing market has visibly weakened during the first half of 2007 as house prices have fallen and sales have tumbled. Household credit quality has markedly deteriorated for both mortgage and consumer credit.

Los Angeles still manages to generate a moderate pace of growth against weakened consumer spending and the weight of the housing market. Further, hotel occupancy rates, while still high, began to falter in the second quarter of 2007.

Support from international trade also has eased. The growth rate of imports through local ports slowed, as to be expected with a weakened dollar. Oddly, export flows have also slowed.

The economy is impacted by the weak housing market directly through a loss of construction and mortgage finance jobs. The housing market will not rebound anytime soon, as the number of units for sale has surged to above a 10-month supply, according to the California Association of Realtors, its highest since 1996. Multi-family construction continues to rise. The rental market remains strong since housing affordability is dismal and house prices at the low end of the market are not correcting any faster than other price tiers. Los Angeles will continue to expand near-term and longer-term, but at a moderate rate consistent with a mature economy.

Community Contact Observations

During the onsite examination, examiners reviewed two recent community contacts and conducted a community contact to determine the credit needs in the bank's AA. Examiners considered these contacts in developing the bank's performance context, and in the evaluation of the bank's CRA performance.

Community contacts reviewed included an economic development partnership, a neighborhood housing service, and an economic development center. The economic development partnership identified a need for easier access to capital for small businesses. The neighborhood housing service indicated a need for affordable housing projects through direct lending and investments. The economic development center stressed the need for continual support from new and existing banks for the betterment of the communities in which they serve. All contacts spoke favorably of several financial institutions serving the various communities within the bank's AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test evaluates the institution's record of helping to meet the credit needs of its AA by considering an institution's home mortgage, small business and farm, consumer, and community development lending. The institution's lending performance is evaluated under the following criteria:

- Volume of lending activity or level of lending;
- Proportion of lending within the AA;
- Geographic distribution of loans;
- Borrower profile;
- Responsiveness to disadvantaged geographies and persons, as well as very small businesses;
- The quality and volume of community development lending; and

- The use of innovative or flexible lending practices.

FBBH is rated **Substantial Noncompliance** in the Lending Test. Lending activity refers to the responsiveness to the credit needs of an institution's AA, taking into account the number and dollar volume of home mortgage, small business, small farm, and consumer loans, if applicable. AA concentration refers to the percentage of lending within the AA. Geographic distribution of loans refers to the record of lending in geographies of different income levels. Borrower profile refers to the record of lending to borrowers of different income levels and businesses of different sizes.

Table 4 provides a condensed description of FBBH's Lending Test criteria performance. The Lending Test Matrix contains seven characteristics used in evaluating a bank's lending performance.

Table 4 – Lending Test	
Lending Test Criteria	Descriptive Performance
Lending Activity	Very poor responsiveness to AA credit needs
AA Concentration	A very small percentage of loans are made in the institutions' AA
Borrower Profile	Not Rated
Geographic Distribution	Very poor penetration throughout the AA, particularly to low- or moderate-income geographies in the AA
Responsiveness to the Highly Disadvantaged	Very poor record of serving credit needs of the disadvantaged
Community Development Lending	Low level of community development loans
Innovative / Flexible Lending Practices	No use of innovative or flexible lending products

The primary reasons for the Substantial Noncompliance Lending Test rating are that the bank exhibited a very poor responsiveness to AA credit needs and very poor penetration throughout the AA, particularly to low- or moderate-income geographies. Furthermore, the bank has made a low level of community development loans and makes no use of innovative and/or flexible lending practices in order to serve AA credit needs. Community contact information identified that continuing credit needs of FBBH's AA were small business and affordable housing loans. Yet, the institution has made minimal efforts to identify the credit needs of its AA, including small businesses, as well as low- and moderate-income geographies and/or individuals. According to bank management, the bank's lending strategy is to originate large dollar commercial real estate and construction loans for housing developments. However, FBBH is operating with no specific strategy as to how it would address the credit needs of its AA.

Lending Activity

FBBH's overall lending levels reflect a very poor response to community credit needs considering the bank's business strategy, volume of lending, and competition. FBBH originated or purchased only 53 multi-family loans within the AA totaling \$106 million over a 3.5 year period. This lending equates to approximately 15 multi-family loans per year. In addition, a

substantial majority of multi-family loans were made outside the bank's AA. Also, there is a declining trend in the bank's overall multi-family lending to negligible figures during the review period, as shown in Table 5.

One of the similarly situated banks originated 113 multi-family loans totaling \$409 million over a 1.5-year period. This lending volume equated to approximately 75 multi-family loans per year, or 5 times the volume per year than FBBH.

FBBH originated only 14 small business loans within the AA totaling approximately \$8 million over a 3.5-year period. This small business lending equated to approximately four small business loans per year which is considered negligible given the bank's size and available resources. Significant small business lending opportunities exist within the bank's AA; however, FBBH did not capitalize on opportunities available.

One similarly situated bank originated 586 small business loans totaling \$192 million over a 1.5-year period. This lending equated to approximately 391 small business loans per year. Another similarly situated bank originated 441 small business loans totaling \$152 million over a 2-year period. This lending equates to approximately 220 small business loans per year.

According to the 2006 Business Geodemographic Data as provided by D & B, there are 769,909 total businesses within the bank's AA. Of the total businesses, 510,276, or 66 percent, are small businesses (businesses with GARs of \$1 million or less). There appears to be ample opportunity for FBBH to lend to small businesses within its AA.

The institution has made minimal efforts to identify the credit needs of its AA, including small businesses, as well as low- and moderate-income geographies and/or individuals. The bank's overall volume of lending performance represents very poor responsiveness to AA credit needs, with no additional compensating factors to offset this very low level of lending within the AA.

Lending in the Assessment Area

In addition to showing the total number and dollar volume of multi-family and small business lending in 2004, 2005, 2006, and YTD 2007, Table 5 reflects the lending activity inside and outside the institution's AA. FBBH's AA concentration is very poor. As illustrated in Table 5, a significant majority of the bank's multi-family and small business loans were originated and/or purchased outside the AA.

Multi-Family Lending

Only 53, or 18 percent, multi-family loans totaling \$106 million (20 percent), originated during a 3.5-year period are in the AA. This is a decline in multi-family lending from the June 24, 2004, CRA evaluation by number and dollar volume of 30 and 23 percent, respectively, in the bank's AA.

Small Business Lending

Trends in FBBH's small business lending are similar to its multi-family lending. The bank originated 14 small business loans within the AA, totaling approximately \$8 million for the 3.5-year review period. The level of small business lending activity during the evaluation period within the AA is approximately 16 percent by number, and 15 percent by dollar volume. As a result of the very low level of small business lending during the review period, no meaningful analysis could be performed. Therefore, small business loans are not included in the analysis of the bank's CRA performance.

Table 5 - Distribution of Loans Inside and Outside of FBBH's Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Multi-Family										
2004	36	27.3	96	72.7	132	57,751	36.5	142,855	63.5	200,606
2005	8	5.8	131	94.2	139	4,894	4.3	131,936	95.7	136,830
2006	4	33.3	8	66.7	12	19,280	40.4	108,350	59.6	127,630
YTD 2007	5	38.5	8	61.5	13	24,515	36.9	55,838	63.1	80,353
Subtotal	53	17.9	243	82.1	296	106,440	19.5	438,979	80.5	545,419
Small Business										
2004	6	24.0	19	76.0	25	3,148	19.5	13,017	80.5	16,165
2005	5	11.9	37	88.1	42	2,468	16.8	22,075	83.2	24,543
2006	3	14.3	18	85.7	21	2,135	18.7	9,263	81.3	11,398
YTD 2007	0	0.0	1	100.0	1	0	0.0	500	100.0	500
Subtotal	14	15.7	75	84.3	89	7,751	14.7	44,855	85.3	52,606
Total	67	17.4	318	82.6	385	114,191	19.1	483,834	80.9	598,025

Source: Bank records 2004, 2005, 2006, and YTD 2007

Geographic Distribution of Lending

Overall, the geographic distribution of FBBH's loans reflects very poor penetration throughout the AA. Table 6 shows the number of multi-family loans originated and/or purchased by the institution by census tract income category. The bank's performance is compared to the 2004 and 2005 aggregate lending data and the 2000 U.S. Census data. No conspicuous lending gaps in the geographic distribution were noted.

Multi-Family Lending

As illustrated in Table 6, in 2004 and 2005, the bank originated and/or purchased 22.2 and 12.5 percent of its loans, respectively, in low-income geographies. The bank's performance was above peer data in 2004 (15.7 percent) but below peer data in 2005 (19.2 percent). In 2006 and YTD 2007, there was a significant decline in the bank's level and trend of lending, as there were

no multi-family loans originated and/or purchased in low-income geographies.

In 2004 and 2005, the bank originated and/or purchased 44.4 and 75 percent of its loans, respectively, in moderate-income census tracts. The bank's performance was above peer data in 2004 (41 percent) and 2005 (42.9 percent) in moderate-income geographies. There were no multi-family loans in moderate-income geographies in 2006. Year-to-date 2007, the bank made 2, or 40 percent, of multi-family loans in moderate-income geographies.

Lending in low- and moderate-income census tracts in 2006 and YTD 2007 reflects a significant decline in the level and trend from the prior years. The bank's lending strategy is to originate large dollar commercial real estate and construction loans for housing developments. However, FBBH is operating with no specific strategy as to how it would address the credit needs of its AA.

Table 6 – Distribution of Multi-Family Loans by Income Category of the Census Tract in the AA

Census Tract Income Level	2004 Aggregate Lending Data	2005 Aggregate Lending Data	2004		2005		2006		YTD 2007		Total	
	% of #	% of #	#	%	#	%	#	%	#	%	#	%
Low	15.7	19.2	8	22.2	1	12.5	0	0.0	0	0.0	9	17.0
Moderate	41.0	42.9	16	44.4	6	75.0	0	0.0	2	40.0	24	45.3
Middle	25.1	23.6	5	13.9	0	0.0	3	75.0	0	0.0	8	15.1
Upper	18.2	14.3	7	19.5	1	12.5	1	25.0	3	60.0	12	22.6
\$0/NA Income	0.0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	36	100.0	8	100.0	4	100.0	5	100.0	53	100.0

Source: Bank Records, and 2004 and 2005 Aggregate Data

Small Business Lending

Because of the low volume of small business lending within the AA for the review period, no meaningful analysis could be performed. Therefore, geographic distribution of small business loans is not rated.

Record of Serving the Credit Needs of Highly Economically Disadvantaged Areas

Overall, FBBH exhibits a very poor record of serving the credit needs of the most economically disadvantaged areas of the AA and very small businesses, consistent with safe and sound banking practices. FBBH's performance context, the large percentage of small businesses in its AA, and community contacts indicate the opportunity and demand for loans to small businesses

and for affordable housing loans. However, the bank's lending performance does not reflect that it is serving the credit needs of these small businesses or providing multi-family loans in its AA.

Only nine multi-family loans and no small business loans were originated in low-income geographies during the review period. Over the review period, FBBH's low-income census tract penetration significantly declined to negligible figures.

Lending to Businesses of Different Revenue Sizes

The distribution of borrowers by income level is not rated.

Multi-Family Loans

HMDA does not require an institution to collect the income of multi-family loans. Therefore, borrower profile for multi-family loans is not rated.

Small Business Loans

Because of the low volume of small business lending within the AA for the review period, no meaningful analysis could be performed. Therefore, borrower profile for small business loans is not rated.

Community Development Lending

Overall, FBBH has made a relatively low level of community development lending during the review period. As shown in Table 7, the bank made 32 qualified community development loans totaling approximately \$28.2 million in its AA. Only 2 community development loans were made over the past 18 months.

Table 7 – Qualified Community Development Lending Activity		
Year	Number	Dollar Amount (000)
2004	23	\$23,693
2005	7	\$3,088
2006	1	\$785
YTD 2007	1	\$600
Totals	32	\$28,166

Source: Bank Records (2004, 2005, 2006 and YTD 2007)

Also, as shown in Table 7 above, there has been a significant decline in the bank's level and trend of community development activity during the review period. The bank originated 32 qualified community development loans totaling \$28.1 million from January 1, 2004 through June 30, 2007, within its AA. Although the number of community development loans was unchanged since the prior evaluation, the dollar amount decreased by \$11.7 million, or 29.4 percent, while assets grew by approximately 66.2 percent during the same period. The bank's community development loans represent 0.6 percent of assets, 6.6 percent of total capital, and 2.7 percent of total loans.

When compared to 2 similarly situated institutions, data for 1 institution that was evaluated for a 1.5-year period had 31 community development loans for \$65.2 million, and was rated High Satisfactory. The other institution, evaluated using 2 years of data, had 49 community development loans for \$73.1 million and was rated Outstanding. Both similarly situated institutions out performed FBBH in significantly shorter evaluation periods.

Community development lending takes the form of direct and indirect participation in affordable housing, revitalizing/stabilizing, and in economic development throughout the bank's AA. The AA is diverse and offers a broad array of community development opportunities including economic development, construction, rehabilitation, and preservation of affordable housing.

Table 8 illustrates the bank's community development lending activities by type of loan made for the period of January 1, 2004 through June 30, 2007.

Table 8 – Qualified Community Development Lending Activity		
Loan Description	Number of Loans	Dollar Volume of Loans (000)
Affordable Housing	27	\$21,321
Loans to Revitalize and Stabilize	5	\$ 6,846
Grand Totals	32	\$28,167

Source: Bank Records (2004, 2005, 2006 and YTD 2007)

Many of the bank's community development activities finance affordable housing projects as shown in Table 8. The following are notable community development loans that the bank provided during the review period:

- \$24.0 million purchase of a pool of loans to refinance affordable housing inner-city projects that benefit low- and moderate-income individuals living in a revitalization zone.
- \$600,000 loan to purchase an 8-unit multi-family apartment in an enterprise zone that rents to low- and moderate-income individuals.
- \$785,000 loan to refurbish a recycling center in a mid-city recovery redevelopment project.

The institution has made minimal efforts to identify the credit needs of its AA, including small businesses, as well as low- and moderate-income geographies and/or individuals.

Innovative and Flexible Lending Practices

The bank makes no use of innovative and/or flexible lending practices in order to serve AA

credit needs. Based on the credit needs of the bank's AA, as well as the size and resources of the institution, this component of lending is considered very poor.

The bank's lending strategy is to originate large dollar commercial real estate and construction loans for housing developments. However, FBBH is operating with no specific strategy as to how it would address the credit needs of its AA.

INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet the credit needs of its AA through its use of qualified investments that benefit the AA or a broader statewide or regional area that includes the institution's AA. Activities considered under the Lending or Service Tests may not be considered under the Investment Test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development, to support the following endeavors:

- Affordable housing;
- Community services targeted low- and moderate-income individuals;
- Activities that promote economic development by financing small businesses and small farms; and/or
- Activities that revitalize and/or stabilize low- and moderate-income geographies.

When determining the overall rating for the Investment Test, greater weight was given to the bank's dollar volume of qualified investments and donations, and the responsiveness of the bank's investment and grant activity to community development credit needs in the bank's AA. Greater emphasis was placed on these rating factors due to the dollar volume of investments and because the investments and grants directly respond to affordable housing, community development services, and small business needs within the bank's AA. These credit needs were confirmed by recent community contacts.

FBBH is rated **Low Satisfactory** in the Investment Test. The bank has an overall adequate level of qualified community development investments, which reflects a reasonable responsiveness to credit and community economic development needs based on the opportunities for such investments in the AA. The bank has not acted in a leadership role. Examiners identified \$9.2 million in qualified investments with community development as its primary purpose, including outstanding debt or equity investments made or held, and qualified grants and donations made during the review period. This is an increase of \$5.4 million, or 142.1 percent, from the previous evaluation. Qualified investments of \$3.8 million made in 2002 are still outstanding. Qualified investments, over a 3.5-year period, represent 0.6 percent of total assets of \$1.6 billion and 6.5 percent of total capital of \$141 million as of June 30, 2007.

At \$9.2 million, FBBH has an adequate level of qualified investments and grants, given the size and resources of the bank and opportunities in the AA. Compared to other institutions with similar resources, the level of qualified investments and grants appears reasonable.

Table 9 illustrates the institution's qualified investment activities.

Table 9 - Qualified Investments		
DESCRIPTION	NUMBER	DOLLARS (000)
Mortgage-Backed Securities targeted to LMI individuals and/or areas	1	5,093
Investment Fund	1	3,750
Total Debt or Equity Investments	2	\$8,843
Qualified Grants and Donations	46	335
Total Qualified Grants and Donations	46	335
Grand Total	48	\$9,178

Source: Bank Records (2004, 2005, 2006, and YTD 2007)

The following is a brief summary of the qualified investments made and maintained during the review period:

- \$5.1 million in a pool of Federal Home Loan Mortgage Corporation loans to low- and moderate-income individuals in the AA.
- \$3.8 million in a registered investment in a mutual fund securitized by various pools of loans for affordable housing and development of businesses in empowerment zones within the AA.

Grants and Donations

During the evaluation period, 24 different non-profit organizations were granted donations totaling \$335,371 within the bank's AA. The following are notable examples of qualified grants or donations provided by the bank:

- Monthly donations over a 3.5-year period totaling \$222,051 to a non-profit organization that provides financial and educational services to low- and moderate-income companies, individuals, and organizations.
- Four donations over a 3.5-year period totaling \$20,000 were made to a non-profit organization that provides inmate rehabilitation programs, housing, after-school mentoring, and tutoring services.

Responsiveness to Credit and Community Development Needs

The bank exhibits a good responsiveness to credit and community economic development needs in its AA, although not in a leadership role. The community development investments described in this evaluation address established community development needs. Investments in affordable housing, business economic development, and community services targeted to low- and moderate-income individuals reflect the institution's responsiveness to community credit and economic development needs.

Innovativeness or Complexity of Qualified Investments

While the investments are not innovative or complex, the investments are responsive to the needs identified in the bank's AA, including low- and moderate-income neighborhoods.

SERVICE TEST

FBBH is rated **Needs to Improve** in the Service Test. The institution provided an overall poor level of retail and community development services throughout the AA during the review period.

Retail Banking Services

Accessibility of Delivery Systems

The bank operates one full service branch, located in an upper-income census tract, which is reasonably accessible to essentially all portions of the institutions AA, based on the institution's business strategy. The bank does not operate any ATMs.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

The bank branch is open Monday through Thursday 10:00 A.M. to 4:00 P.M., and Friday 10:00 A.M. to 6:00 P.M. The bank's full-service branch offers a limited array of lending and deposit products to meet and serve the banking needs of its communities. These hours and services are reasonable in meeting the AA credit needs based on the institution's business strategy.

Changes in Branch Locations

The bank has not opened any branches, but closed the Beverly Hills branch since the prior evaluation of June 24, 2004. The closing of this branch has generally not adversely affected the accessibility of its delivery systems, particularly in low-and moderate-income geographies and/or to low- and moderate- income individuals based on the institution's business strategy.

Community Development Services

The bank provided few, if any, community development services within the bank's AA. While the bank's retail business service is considered adequate, the bank's performance in providing qualified community development services is very poor. Based on the bank's size, available resources, and qualified community development services provided by other institutions with

similar resources, FBBH's number of qualified community development services is low. During the period reviewed, one director and four bank employees provided financial expertise and technical assistance to three different community organizations. The total hours of services by bank officials was not documented, but appears minimal. These organizations are committed to community development initiatives that benefit small businesses and/or low- and moderate-income individuals and geographies in the bank's AA.

One similar bank with a review period of 1.5 years had 1 director and 27 officers and/or employees serving 26 community organizations for a total of 1,310 hours and was rated High Satisfactory. A second institution, with a review period of 2 years, had 4 directors, 7 officers, and 2 employees serving 16 community organizations and was rated Outstanding.

All of the services provided meet the definition of community development, and relate to the provision of financial services as required by the regulation for consideration under the community development test. Examples of community development services provided by the bank are as follows:

- A bank officer and a Board member served as advisory board members on two local community groups. These neighborhood groups serve low- and moderate-income areas with housing development, education, and other start-up business needs.
- Three bank employees presented banking-financial literacy classes to low- and moderate-income individuals, and small businesses through organizations that strive to establish self-sufficiency and a sustained spirit of revitalization to inner-city communities and schools.

Fair Lending or Other Illegal Credit Practices Review

No evidence of antidiscrimination laws and regulations or illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A

SCOPE OF EXAMINATION

First Bank of Beverly Hills	
SCOPE OF EXAMINATION:	Full Scope, Large Bank CRA Evaluation Procedures
TIME PERIOD REVIEWED:	Loans & CDL's: 2004, 2005, 2006 and YTD 2007 Investments and Services: 2004, 2005, 2006 and YTD October 1,2007
PRODUCTS REVIEWED:	Multi-Family and Small Business Loans

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
Beverly Hills Bancorp Inc. (BHBC)	Parent	N/A

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
California			
Los Angeles AA	Full-Scope On-site	1	N/A

APPENDIX B

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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multi-family rental housing) for low-and moderate-income individuals; community services targeted to low-and moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low-and moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low-and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit

card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the

metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the

instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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