

VALLEY REPUBLIC BANK

July 30, 2020

Ms. Kathy L. Moe
Regional Director
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, CA 94105



Re: Quarterly Status Report for the Community Reinvestment Act Performance Evaluation Conducted as of January 21, 2020.

Dear Ms. Moe:

Below please find Valley Republic Bank's second quarterly status report regarding the Community Reinvestment Act Performance Evaluation issued pursuant to the on-site examination started on January 21, 2020. Attached you will find the goals and metrics for the lending subcommittee and VRB CRA training materials. This quarterly status update will be placed in our CRA public file, which already includes a copy of the CRA Performance Evaluation dated February 19, 2020, the Bank's response to the Performance Evaluation and the first quarterly status update.

Since our last communication, the Bank has focused on three primary goals related to CRA:

Establishing goals and metrics for the CRA Committee's Lending Subcommittee

The Lending Subcommittee revised and finalized its 2020 goals and metrics. Due to the COVID-19 pandemic, the entire lending staff has been focused on providing credit assistance to the community via the Paycheck Protection Program (PPP) and other local community support lending programs, therefore the lending goals and metrics were not included in our initial status report. A copy of the final lending goals and metrics is attached.

Providing support to the local community, particularly those negatively impacted by COVID-19

The Bank has participated in two programs offered by the Federal Home Loan Bank of San Francisco (FHLBSF): The Matching Donation program and the Access to Housing and Economic Assistance for Development (AHEAD) grant program. Under the Matching Donation program, the Bank has requested \$10,000 in matching donations on behalf of several local non-profit organizations which, when added to the Bank's donations to these organizations, has resulted in a total of \$20,000 in funding for several of our local non-profit organizations serving LMI and homeless people.

In addition, the CRA CD Subcommittee partnered with the Mission at Kern County to plan, document and submit a \$50,000 grant request to the FHLBSF AHEAD program. If awarded, this grant will provide much-needed funds for beds, mattresses and bedding supplies for a 40-guest men’s homeless shelter and a passenger van which will be dedicated to the same program. This van will provide transportation for critical services including educational training, drug and alcohol rehabilitative services and various social services.

The Bank has also taken a lead role in the Kern County Small Business Relief (KSBRP) program on behalf of Kern County small businesses. To date, the Bank has processed 161 loan applications totaling \$5.7 million under this program. In an effort to provide much needed additional support to the community, the Bank will reinvest the KSBRP fee income received into the community through donations to local charitable organizations. A list of CRA qualified charities was posted on the Bank’s SharePoint page. Employees helped to select recipients by voting anonymously for their favorite local charity.

The Bank continues to support all phases of the Paycheck Protection Program (PPP) for both customers and non-customers in the community. As of July 1, 2020, the Bank processed 784 PPP loan applications and funded 664 loans for Kern County residents and businesses, totaling \$216 million. In so doing, the Bank helped to save 19,150 local jobs.

The VRB team has participated in several local relief programs. The following table represents the number of hours the team has collectively spent providing service through these programs thus far during 2020:

Program/Activity	March hours	April hours	May hours	June hours	Total hours to date
Paycheck Protection Program (PPP)	600	9,100	4,100	-	13,700
Kern Small Business Relief Program	-	-	-	1,045	700
Loan Modifications	600	50	70	60	760

Providing comprehensive CRA training to all Bank employees and Board of Directors

Per a recommendation made by the FDIC at the Bank’s most recent performance evaluation, CRA Officer Grochowski developed comprehensive CRA training with a focus on

Community Development. The challenges of social distancing requirements were overcome by broadcasting the training via Zoom and allowing attendance in person per conference room capacity restrictions. The training was interactive, and employees were encouraged to ask questions. Ten one-hour training classes were provided to employees and Directors between June 10th and June 25th. During that time, 12 of the Bank's 13 Directors and 107 of the Bank's 112 total employees participated in the training. At the time of this writing, 5 employees remain on leaves of absence and will receive the training upon their return. A copy of the VRB CRA training presentation is attached.

The Bank's additional noteworthy CRA activities include:

CRA Committee meetings, subcommittee meetings and webinars

5/15/20 CD Subcommittee meeting
5/21/20 CRA Committee regular meeting
5/21/20 CD Subcommittee meeting
5/27/20 CD Subcommittee meeting
6/04/20 Lending Subcommittee meeting
6/23/20 CD Subcommittee Central Valley webinar meeting
6/26/20 Lending Subcommittee meeting
7/01/20 CRA Committee regular meeting
7/16/20 teleconference with NContracts, potential CRA data tracking vendor

Of note, the Bank has begun to interview companies that specialize in CRA data tracking and reporting services. On 7/15/20, CRA Officer Grochowski participated in an introductory presentation of the NCommunity CRA software program from NContracts. CRA Officer Grochowski will also participate in a demonstration of the Wolters Kluwer CRA software program entitled CRA Wiz. The CRA committee will be presented with software program options not later than the September CRA Committee meeting.

CRA Education

The CD Subcommittee attended a 90-minute webinar presented jointly by the FDIC and the Office of the Comptroller of the Currency (OCC) on 6/23/20 entitled Central Valley CRA Banker Webinar. The webinar included CRA considerations for various activities in response to COVID-19, what banks are doing to address the impact of COVID-19 on LMI communities, and an open discussion about bank priorities and potential partnerships. As a result of the 6/23/20 webinar, VRB will participate in a teleconference with Spike Keil, FDIC Community Affairs Specialist from the FDIC San Francisco office, regarding the formation of a local bank collaborative in the Fresno, CA area. The SVP from our Fresno Loan Production Office will also participate.

A Senior Associate from Audit One LLC's Insight Risk Consulting provided self-assessment templates to assist the Bank with CRA self-evaluations. The group is reviewing the documentation and plans to implement a similar template during the 4th quarter.

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The CRA Committee will attend a CRA webinar presented by Bankers' Compliance Group on Thursday, August 20th. The webinar will discuss community development activities, understanding performance context, data integrity issues and more.

COVID-19 related activities, including Lending

As of 6/30/20, the Bank modified 75 loans totaling \$76 million.

COVID-19 Service Community Development (CD) worksheets are being completed by each employee on a monthly basis to capture all time spent on COVID-19 related tasking.

The Bank will participate in the Main Street Lending Program (MSLP). This program is intended to facilitate lending to small and medium-sized businesses in amounts of \$1 million to \$25 million. Participating lenders are required to retain 5% of the amount for this 4-year fixed rate unsecured term loan on their books; the Federal Reserve will purchase the remaining 95%. The amortization of the principal and interest on MSLP loans is deferred for one year.

As of 6/30/20, the bank has made 93 small business loans totaling \$34.15 million, 91% of which are inside the bank's assessment area.

The Bank reopened the lobbies of all branches in its assessment area on Monday, June 15th. Several precautions have been taken to protect the customers and employees, including: placement of social distancing signs, making hand sanitizer available to customers, relocating employees to work stations that are at least 6 feet apart from one another, installing Plexiglas partitions in high traffic customer operations areas and instituting mandatory sanitizing processes on drive through canisters in between each transaction. In addition, employees are required to wear masks while in bank lobbies or when adequate social distancing is not possible, and signs have been posted at all branch lobby entrances advising customers that face coverings must be worn before entering.

Sincerely,



Stephen M. Annis, CRP
Executive Vice President
Chief Operating Officer

cc: Ms. Angela Uvidia, California Department of Business Oversight
Mr. Geraud Smith, President and CEO, Valley Republic Bank

Encl. Lending goals and metrics, CRA training presentation