

VALLEY REPUBLIC BANK

October 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 third 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 bank's Board approved CRA Policy, media advisory regarding the bank's donation of \$150,000 to local non-profit organizations dated 8/24/20 and CEO Geraud Smith's Memo to the Directors Loan Committee regarding the bank's small business initiative dated 9/24/20. 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 2020 first and second quarter status updates.

Since our last communication, the Bank has focused on the following CRA-related objectives:

- Revising the bank's CRA Policy to reflect the newly created CRA Committee and subcommittees.
- Evaluating current CRA reports; streamline processes to create CRA performance reports more efficiently and improve CRA data tracking and reporting capabilities.
- Increasing Community Development (CD) investment and CD lending contributions.
- Advancing the small business lending initiative/collaboration with the Hispanic Chamber of Commerce.

5000 California Avenue, Suite 110 Bakersfield, CA 93309
Telephone 661.371.2000 Fax 661.371.2010
www.valleyrepublicbank.com

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

Program Activity	March Hours	April Hours	May Hours	June Hours	July Hours	August Hours	Sept. Hours	Total Hours YTD
Paycheck Protection Program (PPP)	3,500	5,600	4,100	0	46	141	129	13,516
Kern Small Business Relief Program (KSBRP)	0	0	0	1,045	1,804	293	63	3,205
Loan Modifications	600	50	70	70	0	0	1.5	791.5

In the FDIC response letter dated 8/17/20, it was recommended that new initiatives, marketing, outreach activities, investments, and significant lending programs be included in quarterly updates beginning with this 3rd quarter update. To that end, please find the summary list below:

New Initiatives

1) CRA reporting software

As indicated in our Q2 2020 status report, several software programs specializing in CRA data collection and reporting were investigated. After a thorough evaluation, the CRA Committee approved signing a 3-year contract with Wolters Kluwer for their CRA Wiz tool at the September CRA Committee meeting on 9/30/20. An introductory meeting between the vendor and the bank was held on 10/21/20, during which roles and responsibilities were determined. It is anticipated that implementation of the program will occur before the middle of November and training will occur not later than the end of the year. The bank opted for the additional fee to provide 16 hours of program training for 10 employees utilizing the bank's actual loan data. Once trained, several members of the CRA Committee, including the newly hired Small Business Relationship Manager, will be equipped to run CRA goal tracking reports from the bank's core system at will. Currently, manual CRA reports are created on a quarterly basis, which is laborious and too infrequent.

2) Partnership with the Mission at Kern County

The bank partnered with the Mission at Kern County to promote their Share the Warmth program during the month of September. The program entailed placing donation bins in branch lobbies to collect cold-weather clothing and blankets for the homeless community. CRA Officer Grochowski and VP Watkins did a live broadcast for a local television station to promote the campaign. The bank collected a total of 990 pounds, or ½ ton, of cold-weather items during the campaign.

3) Small Business Micro Lending program initiative

CEO Smith has developed a lending model that safely and efficiently provides capital to the small business community. A small business lending underwriting policy that clearly identifies terms, pricing, reporting requirements, covenants, and approval authority has been reviewed by the Directors Loan Committee (DLC). The policy was approved by the Board of Directors on 10/21/20. The team has also begun to create a Credit authorization to focus on the borrower's character, payment history, credit score, collateral coverage and global cash flow. A Small Business Lending Relationship Manager has been hired to provide institutional expertise surrounding the numerous government support programs focused on small business lending and develop a marketing plan to engage with the small business community, among other tasks. CEO Geraud Smith's memo dated 9/24/20 which details the background, objective, summary, and proposed monitoring of this initiative is attached to this update.

Marketing

1) VRB Commercial credit card product for small businesses

The bank promoted its new commercial card to local small businesses by distributing table tents, teller receipt flyers, window clings, and product brochures to all branches. A handcrafted, personal message along with a full-color graphic was emailed to business customers to highlight the bank's Commercial and Purchase Card Products. On 8/17/20, the bank's website was updated and now includes the all-new Bankcard Services page and Home page slider.

Outreach

1) Preparation for the bank's small business micro lending initiative

Assistant Business Development Officer Maldonado enrolled in the Kern County Business Academy with the Hispanic Chamber of Commerce to learn about their processes and forms. The bank intends to collaborate with the Hispanic Chamber of Commerce as part of a broad small business lending initiative before the end of the year. The initiative will be led chiefly by the Small Business Lending Relationship Manager, who is expected to begin employment at the bank in late November/early December.

2) Potential CalCAP lending collaboration

Lending and CD subcommittee members participated in a Kern Community Foundation economic development webinar presented by the California Pollution Control Financial Authority (CPCFA) which provided information about the

California Capital Access Program (CalCAP) for small business borrowers and lenders. The subcommittees participated in this webinar on behalf of the Small Business Lending Relationship Manager; the intention was to identify potential lending collaboration opportunities that he may choose to pursue once vetted.

- 3) Donation of \$150,000 in KSBRP fee income to several local non-profit organizations**
The bank donated \$150,000 to local non-profit organizations for pandemic relief to low-and-moderate income individuals and groups. The bank's employees were involved in the selection process to promote CRA awareness and encourage participation in the bank's ongoing commitment to the community.
- 4) Bakersfield Homeless Center Adopt-A-Family program**
The bank is planning to participate in the Bakersfield Homeless Center Adopt-A-Family program which begins next month. The program provides Christmas gifts for needy families at the Center.

Investments

1) CDFI investment

On 10/15/20, the bank invested \$2MM in the cumulative perpetual preferred stock of a Community Development Financial Institution (CDFI) that provides mortgages to LMI individuals in 14 western states, 71% of which were to California LMI residents as of 6/30/20. The company estimates being able to provide a total of \$240MM in mortgages to LMI individuals in the bank's assessment area, Kern County, on an annual basis. As an equity investor, VRB will be able to participate in the outstanding mortgage lending activity to LMI borrowers of the CDFI. For comparison purposes, the bank's total 2019 CD lending activity was \$2MM.

The Bank's noteworthy CRA meetings include:

CRA Committee meetings, subcommittee meetings and webinars

- 7/27/20 regular CRA Committee meeting
- 7/28/20 Community Development subcommittee and Fresno LPO met with three members of the FDIC to discuss Central Valley collaborative opportunities
- 7/30/20 meeting with Wolters Kluwer to discuss CRA Wiz software program
- 8/28/20 regular CRA Committee meeting
- 9/14/20 Community Development subcommittee meeting with FDIC Lorrie Wang, FDIC Regional Examination Specialist, DCP
- 9/30/20 regular CRA Committee meeting
- 9/30/20 Lending subcommittee webinar to learn about CalCAP programs
- 10/15/20 Community Development subcommittee participation in webinar presented by Wolters Kluwer; presenters from OCC, FDIC, Federal Reserve Board about pandemic-driven CRA opportunities and 2021 Washington look ahead

CRA Education

- 1) The CD Subcommittee attended a CRA virtual Colloquium presented by Wolters Kluwer on 10/15/20 which included the following topics: Pandemic Driven CRA Opportunities and Emerging Fair Lending Risks and Washington Update: Reinforcing Regulatory Priorities from Washington to the Coming Year. Presenters included personnel from the FDIC, OCC, Federal Reserve Board, Central Banccompany and Wintrust Financial.

- 2) The bank purchased a 10/23/20 webinar entitled CRA & COVID-10: strategies for tracking community reinvestment during the pandemic for CRA Committee members to view. The webinar was presented by FindCRA and ProBank of Austin. The webinar includes best practices for tracking specialized loan originations for CRA including PPP, EIDL, Main Street Lending and more; CRA loan, investments and service strategies related to pandemic activities are of particular interest to the Committee.

We look forward to our on-site visit from the FDIC during the 1st quarter of 2021.

Sincerely,

Michele Jasso
Executive Vice President
Chief Operating Officer

cc: Ms. Angela Uvidia, Department of Financial Protection & Innovation
Mr. Michael Baker, Case Manager, FDIC
Mr. Geraud Smith, President and CEO, Valley Republic Bank

Encl. CRA Policy, KSBRP donation media advisory and Small Business Initiative Memo