

OFFICE OF THRIFT SUPERVISION

Approval of Application for Permission to Organize a Federal Savings Bank

Order No.: 2009-11
Date: February 27, 2009
Re: OTS No. 18111

Twenty-two persons (Organizers) (see Appendix A) have applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. § 552.2-1 to organize The Bank of Palos Verdes, FSB, Rolling Hills Estates, California (Savings Bank), as a federal savings bank (the Application). The Savings Bank will be a member of the Deposit Insurance Fund (DIF).

The Proposed Transaction

The Organizers propose to establish a *de novo* federal stock savings association, the Savings Bank, which will conduct traditional thrift operations. The Organizers intend to initiate operations from an office in Rolling Hills Estates, California, which is in Los Angeles County. The Organizers will conduct a public offering of the Savings Bank's common stock in order to capitalize the Savings Bank.

Permission to Organize Application

The Home Owners' Loan Act (HOLA) provides that OTS may grant a federal savings bank charter only: (i) to persons of good character and responsibility; (ii) if, in OTS's judgment, a necessity exists for such association in the community to be served; (iii) if there is a reasonable probability of the association's usefulness and success; and (iv) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. OTS's regulations implementing the HOLA include the same standards, with the additional requirement that OTS consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association.

In addition, OTS's regulation regarding the establishment of *de novo* federal savings associations (Regulation) sets forth standards OTS considers in determining whether to grant a *de novo* federal charter. The Regulation provides standards for: (i) initial capitalization of the federal savings bank; and (ii) the residence and composition of the savings bank's board of directors.

Further, 12 C.F.R. § 563e.29(b) provides that an applicant for a federal thrift charter must submit with its application a description of how it will meet its Community Reinvestment Act

(CRA) objectives. OTS is required to take this description into account when considering the application and may deny or condition approval on CRA grounds.

With respect to character and responsibility, the review of the backgrounds of the Organizers, including the identified officers and directors of the Savings Bank, revealed no adverse information and also indicated that the proposed officers and directors of the Savings Bank have adequate managerial resources to operate a federal savings association. Thus, OTS concludes that this approval criterion is satisfied.

As for the necessity for the Savings Bank in the community, the Savings Bank will commence operations from its Rolling Hills Estates office. The Savings Bank's proposed market area within Los Angeles County has experienced steady population and deposit growth in recent years and is expected to continue to grow. Los Angeles County population has grown 16.6 percent from 1990 to 2007, and is projected to grow by another 18.65 percent in the next 15 years. Similarly, deposits increased 3 percent from 2007 to 2008.

Since January 1, 2008, seven financial institutions with offices in the Los Angeles County market have been put into receivership by banking regulators. The seven institutions had 283 offices in the market area. Most of those offices remain open to the public or have become offices of other financial institutions. OTS has reviewed the relevant circumstances, and believes these failures did not result from a lack of need for deposit and lending services in the market area. The Savings Bank does not propose to engage in lending practices similar to the recently failed institutions. Therefore, OTS concludes that the recent failures do not indicate a lack of necessity for the Savings Bank. OTS concludes that this approval criterion is satisfied.

With respect to undue injury to properly conducted existing local thrift and home financing institutions, the Savings Bank will provide new competition in the local market. The Savings Bank's projected level of deposits in its first three years of operations will constitute less than 0.02 percent of the deposits in Los Angeles County initially, and less than 0.054 percent of the deposits after three years. Accordingly, OTS concludes that the Savings Bank will not cause undue injury to properly conducted existing local thrift and home financing institutions.

With respect to the reasonable probability of the Savings Bank's usefulness and success, OTS reviewed the Savings Bank's business plan, proposed capital levels, and the competence and experience of proposed management. OTS concludes that the business plan is reasonable, that the Savings Bank will have adequate capital, and that the Savings Bank's managerial and financial resources are consistent with a reasonable probability of success. However, because policies and procedures submitted in the Application were not in final form, OTS is imposing condition 5, requiring the Savings Bank to finalize the policies and procedures submitted with the Application, obtain board of directors' approval for such policies and procedures, and submit them to the Regional Director, prior to opening for business. This condition will help ensure the safe and sound operation of the Savings Bank. OTS is imposing conditions 6 and 7 to ensure the Savings Bank operates within the parameters of its proposed business plan. These conditions help ensure the safe and sound operations of the Savings Bank. OTS is imposing condition 8 to ensure compliance with regulatory provisions and policies concerning affiliated persons or

related entities and to ensure that the Savings Bank is operated in a safe and sound manner. OTS is imposing condition 10, requiring that new directors or senior officers (including any significant change in responsibilities of any senior officer) obtain the Regional Director's non-objection for three years following consummation of the transaction. This condition is intended to ensure that the Savings Bank's management continues to have the necessary competence to contribute to the Savings Bank's usefulness and success.

Based on the foregoing analysis, OTS concludes that the probability of the Savings Bank's usefulness and success is consistent with approval, subject to the imposition of the conditions, which are intended to help ensure the probability of the Savings Bank's usefulness and success.

With respect to the provision of credit for housing, the Savings Bank will directly and indirectly extend credit for housing. The origination of mortgage loans and the purchase of such loans and mortgage-backed securities will enable the Savings Bank to satisfy the qualified thrift lender test. OTS has determined that the Savings Bank will have adequate management, policies, procedures and controls. Based on the above, OTS concludes that the Savings Bank will provide credit for housing in a safe and sound manner.

With respect to capital, the Savings Bank will have capital in excess of that required by 12 C.F.R. § 543.3(b) and plans to be well capitalized under OTS's prompt corrective action regulations throughout the first three years of operations. Accordingly, OTS concludes that the Savings Bank's proposed capital levels are consistent with approval.

OTS's regulations require that a majority of a *de novo* federal association's board of directors be "representative" of the state in which the association is located. All of the proposed directors of the Savings Bank work or reside in California. Therefore, we conclude that this requirement is satisfied. OTS regulations also require that a *de novo* federal association's board of directors be diversified and composed of individuals with varied business and professional experience. Based on the experience of the Savings Bank's proposed directors, OTS concludes that the Savings Bank's proposed board of directors meets this criterion. OTS's regulations also require that no more than one-third of the board of directors of a *de novo* savings association be in closely related businesses. No more than one third of the Savings Bank's board members are currently in closely related businesses, and thus, this criterion is satisfied.

With respect to the CRA and OTS's CRA regulations, the Savings Bank's initial CRA assessment area will consist of Los Angeles County, and complies with CRA regulations. The Savings Bank intends to meet the borrowing needs of its assessment area through origination of residential mortgages and other lending, and through participation in government-insured, guaranteed, or subsidized lending programs to support affordable housing and small business operations. However, to ensure that the Savings Bank, the sole office of which will be in an upper income area, is lending to low- and moderate-income individuals and communities, and small businesses, OTS is imposing condition 9 to ensure that the Savings Bank meets its objectives under the CRA. OTS concludes that, subject to the imposed condition, the Savings Bank has satisfactorily demonstrated that it will meet its CRA objectives.

Conclusion

OTS has considered the Application under the standards set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3 and 552.2-1(b), and under the CRA, 12 U.S.C. §§ 2901, *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. OTS finds that the Application satisfies the applicable approval standards, provided the following conditions are complied with in a manner satisfactory to the West Regional Director, or his designee (Regional Director). Accordingly, the Application is hereby approved, subject to the following conditions:


1. The Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Director;
2. The proposed transaction must be consummated within 120 calendar days from the date of this Order;
3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank, as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of the Organizers, the Savings Bank, or OTS since the date of the financial statements submitted with the Application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Savings Bank must, within 5 calendar days after the effective date of the proposed transaction: (a) advise the Regional Director in writing of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts; (b) advise the Regional Director in writing that the transaction was consummated in accordance with all applicable laws and regulations, the Application, and this Order; and (c) provide a reconciliation of the Savings Bank's capital to the Regional Director;
5. Prior to opening for business, the Savings Bank must finalize the policies and procedures submitted with the Application, obtain board of directors' approval for such policies and procedures, and submit them to the Regional Director;
6. The Savings Bank must operate within the parameters of an OTS approved business plan for the first three years of operations. The Savings Bank must submit to the Regional Director for prior approval, requests for any proposed major deviations or material changes to the three year plan, no later than 60 calendar days prior to the desired implementation date with a copy sent to the FDIC Regional Office;

7. For three years following the Savings Bank's commencement of operations, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan, and an explanation of any material deviations;
8. For 18 months following the Savings Bank's commencement of operations, any contracts or agreements pertaining to transactions with affiliated persons or related interests, as defined in 12 C.F.R. § 561.5(d), not yet submitted to the OTS for review, or any material changes to previously submitted contracts or agreements, must be provided to the Regional Director for his written non-objection at least 30 calendar days prior to their execution and implementation;
9. For 18 months following the Savings Bank's commencement of operations, the Savings Bank must provide, in a form acceptable to the Regional Director, a quarterly status report of its lending programs and initiatives that details its level of lending to low- and moderate-income individuals, to low- and moderate-income communities, and to small businesses, to the Regional Director; and
10. For three years following the Savings Bank's commencement of operations, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or senior executive officers not already reviewed by OTS, or any significant change in responsibilities of any senior executive officer.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

Feb. 27, 2009.



Grovetta N. Gardineer
Managing Director
Corporate & International Activities

Appendix A

The Organizers

Mr. John R. Polen
Mr. Frank M. Lee
Mr. Richard Edler
Ms. Wendy L. Bond
Mr. William R. Glantz
Mr. Stephen K. Haw
Mr. Michael M. Kemps
Mr. James Kuan-Jung Lin
Mr. Richard E. Mahmarian
Mr. Lacy G. Marlette, Jr.
Mr. Allen J. Scafati
Mr. John O Schuricht
Mr. Joseph Barnett
Ms. Rita Barnett
Mr. Pei Huang
Ms. Peggy Huang
Mr. George Liu
Mr. Joseph Lomax
Mr. Scott Probst
Ms. Gayle Probst
Mr. Daniel Yang
Ms. Joyce Yang