FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT

SACRAMENTO, CALIFORNIA

In the Matter of: CALIFORNIA BUSINESS BANK IRVINE, CALIFORNIA (INSURED STATE NONMEMBER BANK)	CONSENT ORDER FDIC-19-0173b

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for California Business Bank, Irvine, California ("Bank") under Section 3(q) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1813(q). The California Department of Business Oversight ("CDBO") is the appropriate State banking agency for the Bank under Division 1 of the California Financial Code.

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a Stipulation to the Issuance of a Consent Order ("Stipulation"), dated February 20, 2020, that is accepted by the FDIC and the CDBO. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to management, operations, capital and violations of law, to the issuance of this Consent Order ("Order") by the FDIC and the CDBO pursuant to Section 8(b)(1) of the FDI Act, and Section 580 of the California Financial Code ("CFC").

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), and CFC have been satisfied, the FDIC and the CDBO hereby order that:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the following:

(i) a chief executive officer with proven ability in managing a bank of comparable size and risk profile;

(ii) a chief financial officer with proven ability in all aspects of financial management; and

(iii) a senior lending officer with significant lending, collection, and loan supervision experience and experience in problem loan workouts. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this Order;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this Order, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the California Department of Business Oversight ("Commissioner"), in writing, of the resignation or termination of any of the Bank's directors or executive officers. Prior to the addition of any individual to the Board or the employment of any individual as an executive officer, the Bank shall comply with the requirements of section 32 of the Act, 12 U.S.C. § 1831(i), and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100–303.104 and any requirement of the State of California for prior notification and approval.

2. During the life of this Order, the Board shall maintain the level of participation in the affairs of the Bank consistent with the role and expertise commonly expected for directors of a bank of comparable size. This participation shall include meetings to be held no less frequently than monthly. The Board minutes shall document Board discussions and actions.

3. The Bank shall maintain its Tier 1 Capital in such an amount to ensure that the Bank's leverage ratio equals or exceeds 10 percent during the life of this Order. The level of capital to be maintained during the life of this Order shall be in addition to a fully funded allowance for loan and lease losses ("ALLL"), the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. Any increase in Tier 1 Capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's ALLL.

4. For purposes of this Order, all terms relating to capital shall have the meanings and be calculated in accordance with the applicable FDIC's Rules and Regulations concerning Capital Adequacy/Capital Maintenance (currently at 12 C.F.R. Parts 324 and 325). The Bank

shall not pay cash dividends or make any other distribution of assets to its shareholders without the prior written consent of the Regional Director and the Commissioner.

5. Within 90 days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written Business Plan ("Plan") addressing the following:

(a) A written three-year (3) strategic plan. Such strategic plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits as of year-end 2020, 2021, and 2022. For each time frame, the strategic plan will also specify:

(i) the anticipated average maturity and average yield on loans and securities;

(ii) the average maturity and average cost of deposits;

(iii) the level of earning assets as a percentage of total assets; and

(iv) the ratio of net interest income to average earning assets.

(b) The Bank's Plan shall include a provision regarding the development or revision, adoption and implementation addressing the retention of profits, reducing overhead expenses, and setting forth a comprehensive budget covering the period 2020 to 2021.

(c) The provisions required by the Plan as set forth in this Paragraph shall contain formal goals, strategies and benchmarks which are consistent with sound banking practices to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings of the Bank. It shall also contain a thorough description of the operating assumptions that form the basis for, and adequately support, each major component of the Plan. Such Plan and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(d) Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the Plan and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

6. The Bank shall develop a plan satisfactory to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations, which minimizes the use of non-core funding sources, such as brokered deposits and Money Desk internet deposits. The Bank shall include in this plan a provision that non-core funding shall be incorporated into ongoing liquidity stress testing.

7. Within 90 days of the effective date of this Order, the Bank shall comply in all material respects with the Bank Secrecy Act ("BSA") and its rules and regulations.

8. Within 90 days of the effective date of this Order, the Bank shall correct all violations of law, as more fully set forth in the Report of Examination ("ROE") dated May 28, 2019. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

9. Within 90 days of the effective date of this Order, the Bank shall develop, adopt, and implement a written compliance program, as required by the applicable provisions of sectioı 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, designed to, among other things, ensure and maintain compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto. The program shall ensure that clear and comprehensive BSA compliance reports are provided to the Board on a monthly basis. Such program and its implementation sha be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. At a minimum, the program shall establish the

following components or pillars: a system of internal controls to assure ongoing compliance with the BSA; independent testing for Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") compliance; a designated individual or individuals responsible for coordinating and monitoring BSA/AML compliance; and training for appropriate personnel. As part of the internal controls, the Bank's BSA/AML compliance program must include appropriate risk-based procedures for conducting ongoing customer due diligence as set forth in 31 C.F.R. § 1020.210(b)(5) including, but not limited to: understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information, including information regarding the beneficial owner(s) of legal entity customers. In addition, the BSA/AML compliance program must include procedures to address other BSA reporting and recordkeeping requirements including, among other things, currency transaction reports ("CTR"), suspicious activity reports ("SARs"), and beneficial ownership.

10. During the life of this Order, the Bank shall have and retain a qualified BSA/AML and Office of Foreign Assets Control ("OFAC") Compliance Officer. The Bank shall notify the Regional Director and the Commissioner in writing prior to appointing any new BSA/AML and OFAC Compliance Officer, or materially changing the responsibilities of the BSA/AML and OFAC Compliance Officer. Such proposed appointment, employment, or change in responsibilities shall not become effective until the Bank complies with the requirements of section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100–303.104 and any requirement of the State of California for prior notification and approval unless a waiver is granted by the Regional Director and the Commissioner at their sole discretion. The Board shall ensure that the Bank's

BSA/AML compliance program is managed by a qualified BSA/AML and OFAC Compliance Officer who:

(a) Has sufficient experience, authority, and independence to monitor and ensure compliance with the BSA, including the ability to develop and implement BSA/AML policies and procedures;

(b) Has sufficient resources (monetary, physical, and personnel) to administer an effective BSA/AML compliance program based on the Bank's risk profile; and

(c) Shall be responsible for assuring the proper and timely filing and retention of SARs, CTRs, Reports of International Transportation of Currency or Monetary Instruments ("CMIRs"), Reports of Foreign Bank and Financial Accounts ("FBARs") and any other reports required by the BSA or its implementing laws or regulations.

11. Within 60 days of the effective date of this Order, the Board shall ensure that the BSA software used by the Bank, and any additional or subsequent BSA software used, is functioning accurately and is functioning properly with the Bank's core operating system. Additionally, the Bank shall have at all times a minimum of two members of the Bank's staff who have been fully trained on the correct functioning of the BSA software and any additional or subsequent BSA software.

12. Within 30 days of the effective date of this Order, the Board shall ensure that all Bank personnel receive BSA/AML training from staff and/or independent contractors who have training and experience commensurate with the Bank's products and services and the Bank's BSA/AML risk profile. Bank personnel receiving such training shall include all Board members and all appropriate personnel, including but not limited to, senior management, tellers, customer service representatives, lending officers, all other customer contact personnel, and any

contractors not reflecting the requisite experience for their assignments, in all aspects of regulatory and internal policies and procedures related to the BSA. Training shall have a specific emphasis and concentration on accurate and timely CTR preparation, amendment, and recordkeeping; form completion, and the detection and reporting of suspicious activity. Training shall be conducted and updated on a regular basis to ensure that all personnel are provided with current and up-to-date information.

13. Within 120 days of the of the effective date of this Order, the Board must provide for independent testing of compliance with the BSA, all applicable rules and regulations related to the BSA, and the reporting of suspicious transactions required to be reported pursuant to Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. § 353. The independent testing shall be conducted on an annual basis. The independent testing, at a minimum, should address the following:

(a) overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures, and processes;

(b) BSA/AML risk assessment;

(c) BSA reporting and recordkeeping requirements;

(d) Customer Identification Program implementation;

(e) adequacy of customer due diligence policies, procedure, and processes and whether they comply with internal requirements;

(f) personnel adherence to the Bank's BSA/AML policies, procedures, and processes;

(g) appropriate risk-based transaction testing, with particular emphasis on elevated-risk operations (products, services, businesses, customers, and geographic locations);

(h) training adequacy, including its comprehensiveness relative to the Bank's products and services and the Bank's BSA/AML risk profile, accuracy of materials, the training schedule, and attendance tracking;

(i) integrity and accuracy of management information systems used in the BSA/AML compliance program;

(j) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations;

(k) an assessment of the overall process for identifying and reporting CTRs and SARs, including a review of filings to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy; and

(l) a review of the methodology used to risk rate accounts.

14. Within 120 days from the effective date of this Order, the Bank's Board shall develop and implement a plan to identify and review all high-risk accounts and high-risk transactions ("Transaction Review"), including but not limited to the Bank's CTRs, Virtual Vault customers, wire transfer activity, inter-bank check transfers, and ACH transfers, for the period commencing March 1, 2019 through the date that audit certification of the adequacy of the bank's automated BSA/ALM system is confirmed ("Transaction Review Period"). The Bank shall prepare and file any additional SARs, CTRs, or amendments necessary based upon the review. Based upon the results of the review, the Regional Director and the Commissioner may extend the Transaction Review Period if necessary.

(a) Within 60 days of preparing a plan for the Transaction Review, but prior to commencement of the Transaction Review, the Bank shall submit to the Regional Director and the Commissioner a written plan for approval that sets forth:

(i) the scope of the Transaction Review, including the types of accounts and transactions to be reviewed;

(ii) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;

(iii) the expertise and resources to be dedicated to the Transaction Review;

(iv) the anticipated date of completion of the Transaction Review; and

(v) a commitment that any interim reports, draft reports or work papers associated with the Transaction Review will be made available to the Regional Director and the Commissioner upon request.

(b) On completion of the reviews required pursuant to the paragraphs above, the Bank shall submit the written findings of the review and copies of any additional SARs, CTRs, or amendments filed to the Regional Director and the Commissioner.

(c) Documentation supporting any determination made pursuant to the paragraphs above shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

15. Within 30 days of the effective date of this Order, the Board shall increase its oversight of the Information Technology ("IT") area, including enhancing the identification, assessment, and management of IT risks and governance.

16. During the life of this Order, the Bank shall conduct an annual cybersecurity analysis utilizing the Cybersecurity Assessment Tool ("CAT") or other appropriate application used to assess cyber-threats and vulnerabilities. The results of the analysis shall

be presented to the Board and the Board shall take any necessary action required. Such presentation and Board action, if any, shall be recorded in the Board minutes.

17. Within 60 days from the effective date of this Order the Bank shall update its IT Policies and Procedures to address the current structure of the IT program. The IT Policies and Procedures and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations.

18. During the life of this Order, the Bank shall develop IT project plans prior to the implementation of any material new program or process and shall provide such plans and project plan updates regularly to the Bank's Board.

19. Within 90 days from the effective date of this Order, the Bank shall ensure that all outstanding core conversion and related systems/applications issues have been resolved.

20. Within 60 days from the effective date of this Order, the Bank shall perform a risk assessment of its vendor management program, including a risk ranking of service provider relationships to specifically identify service providers requiring closer and ongoing monitoring. The Bank shall record results of such risk analysis and any actions taken by the Bank in response. The results of such risk assessment and Bank's response shall be provided to the Regional Director and the Commissioner in a timely manner.

21. During the life of this Order, the Bank shall conduct and document an annual review of critical and/or high-risk service providers. Such review shall be presented to the Bank's Board and recorded in the minutes.

22. The Bank shall not engage in any new lines of business or establish any new branches or other offices of the Bank without the prior written approval of the Regional Director and the Commissioner.

23. Within 45 days of the end of the first quarter following the effective date of this Order, and within 45 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

24. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of this Order in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the Order in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the CDBO, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the CDBO.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC and the CDBO.

Issued pursuant to delegated authority
Dated this 27th day of February, 2020.

/s/
Paul P. Worthing
Deputy Regional Director
Division of Risk Management Supervision
San Francisco Region
Federal Deposit Insurance Corporation

/s/
Aaron Prosperi
Deputy Commissioner, Banking Division
California Department of Business Oversight