

PUBLIC DISCLOSURE

June 6, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gateway Bank, F.S.B.
919 Clement Street
San Francisco, CA 94118
Docket #: 08857**

**Office of Thrift Supervision
Western Region
225 East John Carpenter Freeway, Suite 500
Irving, TX 75062-2326**

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.



Office of Thrift Supervision

Department of the Treasury

Western Region

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June 30, 2011

Board of Directors
Gateway Bank, F.S.B.
919 Clement Street
San Francisco, CA 94118

OTS No. 08857

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of June 6, 2011. In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Bill M. Williams
Assistant Director, Compliance

Enclosure

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Gateway Bank, F.S.B. (Gateway). The Office of Thrift Supervision (OTS) prepared the evaluation as of June 6, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: **Satisfactory**
The Lending Test is rated: **Satisfactory**
The Community Development Test is rated: **Satisfactory**

Gateway Bank, F.S.B.'s "Satisfactory" rating is based primarily on its excellent volume of lending and good distribution of those loans among individuals and within geographies of differing income levels. Gateway's community development performance demonstrates adequate responsiveness.

Gateway's Lending Test performance is rated "Satisfactory."

- Gateway's lending levels reflect excellent responsiveness to assessment area credit needs. Gateway originated or purchased \$1.7 billion in residential mortgage loans during the review period.
- Gateway makes a reasonable percentage (15.1 percent) of its loans within its assessment areas.
- The distribution of Gateway's loans reflects reasonable penetration among borrowers of different income levels.
- The geographic distribution of Gateway's loans reflects reasonable penetration throughout its assessment areas.
- Gateway did not receive any complaints regarding its CRA performance.

Gateway's Community Development Test performance is rated "Satisfactory."

- Gateway makes an adequate level of qualified community development investments and grants.
- Gateway provides an adequate level of community development services.

Gateway's CRA performance was last evaluated in September 2009, at which time the association was rated "Needs to Improve."

Scope of Examination

This evaluation of Gateway's CRA performance is based on the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Institution CRA examination procedures. These procedures include a streamlined Lending Test and a Community Development Test for evaluating CRA performance. The Lending Test includes several evaluation criteria while the Community Development Test assesses the overall responsiveness of an institution's community development

Institution (continued)

activities. Generally, the two tests are weighted equally in determining an institution’s overall CRA performance rating. This is an evaluation of Gateway’s overall CRA performance during the January 1, 2009 through December 31, 2010 review period in the institution’s assessment areas within the state of California.

Description of Institution

Gateway Bank, F.S.B. is a federally chartered stock saving bank, headquartered in San Francisco, California with two branch offices in California.

As of December 31, 2010, Gateway reported total assets of \$305.7 million, total liabilities of \$280.4 million, and total capital of \$25.3 million. At that time, major categories of assets were as follows:

Major Components of Total Assets As of December 31, 2010		
Asset Type	Amount (\$000s)	% of Total Assets
Permanent Mortgage Loans:		
- Single Family	159,630	52.2
- Multifamily	405	0.1
Investments:		
- Mortgage Backed Securities	19,930	6.5
- US Gov’t/Agency Securities	1,514	0.5
Interest Earning Deposits	81,904	26.8
Cash/Non-Interest Earning Deposits	2,432	0.8

Gateway essentially only originates or purchases single-family (one-to-four unit) residential mortgage loans. As part of Gateway’s business plan, loan production is predominately generated through its proprietary QuickSale (QS) program. Under this program, Gateway purchases single-family mortgage loans from third-party mortgage bankers. These loans are then sold with the servicing rights released to the third-party final investors. Gateway’s role is to purchase whole loans, or 100 percent participations in such loans, from mortgage bankers, hold the loans for approximately 5 to 30 days, and then deliver the loans to the final investor. Gateway receives a specified rate from the mortgage banker on the outstanding loan balance for the period of time between Gateway’s purchase of the loan from the mortgage banker and the subsequent delivery of the loan to the final investor.

For regulatory reporting purposes, Gateway reported \$409.4 million in mortgage originations and \$10.5 billion in mortgage loan purchases during the 24-month review period. The following table illustrates Gateway’s lending activity by year by loan product.

Institution (continued)

Mortgage Origination Activity **						
Percent of Total Assets						
Loan Type	2010			2009		
	Inst.	OTS Peer*	Pct Ranking	Inst.	OTS Peer*	Pct Ranking
1-4 Permanent Mortgage	50.6	9.0	92	40.6	11.8	84
Total Originations	50.6	13.1	87	40.6	18.0	80
Purchased Loans	1050.9	0.0	99	1257.0	0.0	99

* OTS peer group median for thrift institutions with between \$300.0 million and \$1.0 billion in assets.

** This information is compiled pursuant to OTS reporting instructions, and therefore, does not exactly correspond to information on reportable lending used in the balance of this evaluation. It is provided to give an overall profile of the institution's total credit activity during the review period.

During the review period, Gateway was subject to regulatory restrictions that have limited the institution's ability to engage in certain transactions. On April 24, 2009, Gateway was issued a Cease and Desist Order by the OTS. The Cease and Desist Order is a public document and mandates, among other stipulations, growth restrictions, specific capital requirements, and the development of plans related to its business planning, reduction of classified assets, and assessment of management resources. In mid-2010, a new President/CEO was appointed. The new president has worked diligently to address these operational concerns as well as conducting outreach in the community to better serve the community development needs of its assessment areas.

In consideration of the internal and external impediments placed on Gateway and the concerted efforts made by management, we consider Gateway to have a good record of meeting the credit and deposit needs of the San Francisco Bay Area. During the 24-month review period, Gateway originated or purchased \$1.7 billion in HMDA-reportable residential mortgage loans, made \$305,376 in qualified investments, and held \$265.2 million in deposits within two branch offices serving the San Francisco Bay Area.

Gateway competes against a number of national and community banks, savings and loans, and credit unions. As of June 30, 2010, the FDIC's deposit market share report ranked Gateway 22 out of 69 institutions in San Francisco and Alameda Counties, where Gateway maintains branches with a deposit market share of 0.2 percent. More specifically, in the San Francisco Bay Area counties where the institution maintained branches:

- ranked 15 out of 43 financial institutions with a deposit market share of 0.7 percent in Alameda County and
- ranked 25 out of 51 financial institutions with a deposit market share of 0.1 percent in San Francisco County.

Institution (continued)

Description of San Francisco Bay Area

Gateway's San Francisco Bay Area assessment area covers seven counties around the San Francisco Bay. These counties are part of three distinct metropolitan statistical areas (MSA) or metropolitan divisions (MD) that make up a portion of the larger San Jose-San Francisco-Oakland Combined Statistical Area. As of the 2010 Census, the U.S. Census Bureau estimated the population of this assessment area to be 6.2 million, an increase of 5.3 percent since the 2000 Census. The assessment area houses 16.6 percent of the population of California.

San Francisco-San Mateo-Redwood City MD

The San Francisco-San Mateo-Redwood City Metropolitan Division, where the institution is headquartered, covers Marin County, San Francisco County, and San Mateo County. According to the 2000 Census, low- and moderate-income families make up 38.9 percent of the families residing in the San Francisco-San Mateo-Redwood City MD and 24.2 percent of all families live in low- or moderate-income census tracts. The 2010 U.S. Department of Housing and Urban Development (HUD) Updated Median Family Income for the San Francisco-San Mateo-Redwood City MD is \$99,400, an increase of 32.3 percent since the 2000 Census.

Economic conditions weakened during the review period. According to the Bureau of Labor Statistics (BLS), the average annual unemployment rate was 8.5 percent in 2009 and rose to 9.1 percent in 2010. Housing in the San Francisco-San Mateo-Redwood City MD is expensive based on the National Association of Home Builder's (NAHB) Housing Opportunity Index (HOI) for 4th Quarter 2010. The HOI for the MD was 31.5 based on the updated Median Family Income for 2010 and the median home sales price of \$584,000 during fourth-quarter 2010. This MD ranked 222 out of 223 metropolitan areas monitored nationally. The HOI is defined as the share of homes sold in that area that would have been affordable to a family earning the median income.

The following table provides additional information about the demographics of the San Francisco-San Mateo-Redwood City MD.

Institution (continued)

Demographic Information for Full Scope Area: San Francisco-San Mateo-Redwood City MD (2010)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	382	7.33	21.47	39.01	31.68	0.51
Population by Geography	1,731,183	7.21	21.80	42.21	28.778	0.00
Owner-Occupied Housing by Geography	335,597	1.54	12.79	45.12	40.55	0.00
Business by Geography	163,434	13.99	17.68	35.59	32.65	0.089
Farms by Geography	2,037	5.89	14.09	45.07	34.95	0.00
Family Distribution by Income Level	381,072	21.33	17.59	19.98	41.110	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	148,300	11.85	28.05	42.49	17.601	0.00
Median Family Income		75,188	Median Housing Value		501,526	
HUD Adjusted Median Family Income for 2010		99,400	Unemployment Rate (2000 US Census)		2.12%	
Households Below Poverty Level		8%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2010 HUD updated MFI

Oakland-Fremont-Hayward MD

The Oakland-Fremont-Hayward Metropolitan Division covers Alameda County and Contra Costa County. Based on the 2000 Census, low- and moderate-income families make up 38.4 percent of the families residing in the Oakland-Fremont-Hayward MD and 25.3 percent of all families live in low- or moderate-income census tracts. The 2010 HUD Updated Median Family Income for the Oakland-Fremont-Hayward MD is \$90,300, an increase of 32.1 percent since the 2000 Census. Economic conditions deteriorated during the review period. According to the BLS, the average annual unemployment rate was 10.4 percent in 2009 and jumped to 11.3 percent in 2010. Housing in the Oakland-Fremont-Hayward MD is generally expensive based on the NAHB HOI for 4th Quarter 2010. The HOI for this MD was 67.3 based on the updated Median Family Income for 2010 and the median home sales price of \$289,000 during fourth-quarter 2010. This MD ranked 191 out of 223 metropolitan areas monitored nationally.

The following table provides additional information about the demographics of the Oakland-Fremont-Hayward MD.

Institution (continued)

Demographic Information for Full Scope Area: Oakland-Fremont-Hayward MD (2010)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	489	10.63	21.06	39.06	29.04	0.201
Population by Geography	2,392,557	8.54	20.25	41.14	30.04	0.03
Owner-Occupied Housing by Geography	524,719	3.49	13.07	43.58	39.86	0.00
Business by Geography	171,667	9.49	15.84	38.96	35.58	0.13
Farms by Geography	2,632	5.24	15.62	38.87	40.27	0.00
Family Distribution by Income Level	586,019	20.97	17.47	21.18	40.38	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	225,249	14.44	29.71	40.42	15.443	0.00
Median Family Income		68,346	Median Housing Value		289,834	
HUD Adjusted Median Family Income for 2010		90,300	Unemployment Rate (2000 US Census)		2.63%	
Households Below Poverty Level		9%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2010 HUD updated MFI

San Jose-Sunnyvale-Santa Clara MSA

San Jose-Sunnyvale-Santa Clara MSA covers Santa Clara County and San Benito County. As of the 2000 Census, low- and moderate-income families make up 38.7 percent of the families residing in the San Jose-Sunnyvale-Santa Clara MSA and 24.2 percent of all families live in low- or moderate-income census tracts. The 2010 HUD Updated Median Family Income for the San Jose-Sunnyvale-Santa Clara MSA is \$103,500, an increase of 29.1 percent since the 2000 Census. Economic conditions weakened during the review period. According to the BLS, the average annual unemployment rate was 10.9 percent in 2009 and increased to 11.3 percent in 2010. Housing in the San Jose-Sunnyvale-Santa Clara MSA is generally expensive based on the NAHB HOI for 4th Quarter 2010. The HOI for this MSA was 54.1 based on the updated Median Family Income for 2010 and the median home sales price of \$440,000 during fourth-quarter 2010. This MSA ranked 211 out of 223 metropolitan areas monitored nationally.

The following table provides additional information about the demographics of San Jose-Sunnyvale-Santa Clara MSA.

Institution (continued)

Demographic Information for Full Scope Area: San Jose-Sunnyvale-Santa Clara MSA (2010)					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	349	4.01	22.64	46.70	26.65
Population by Geography	1,735,819	3.90	24.42	46.97	24.71
Owner-Occupied Housing by Geography	349,460	1.13	16.54	47.80	34.53
Business by Geography	127,315	2.81	22.84	43.44	30.91
Farms by Geography	2,148	1.82	29.70	43.48	25.00
Family Distribution by Income Level	412,783	20.54	18.11	21.70	39.665
Distribution of Low and Moderate Income Families throughout AA Geographies	159,536	6.05	32.58	46.36	15.01
Median Family Income		80,198	Median Housing Value		443,769
HUD Adjusted Median Family Income for 2010		103,500	Unemployment Rate (2000 US Census)		2.07%
Households Below Poverty Level		6%			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2010 HUD updated MFI

Conclusions With Respect To Performance Tests

Please refer to the “Institution’s CRA Rating” section of this report for our conclusions regarding Gateway’s overall performance under each test. The following sections of this evaluation present quantitative and qualitative data used in completing this performance evaluation and to support our conclusions.

Lending Test

LOAN-TO-DEPOSIT RATIO AND OTHER LENDING RELATED ACTIVITIES

Loan-to-Deposit Ratio

- With an average loan-to-deposit ratio of 93.7 percent during the review period, Gateway maintained a more than reasonable loan-to-deposit ratio.
- Gateway’s loan-to-deposit ratio has historically been above that of its OTS asset-size peer group median but for each quarter in 2010, the ratio dropped below its peer.
- Gateway’s QuickSale program entails the purchase and sale of significant levels of newly originated residential mortgage loans. Given the static nature of the loan-to-deposit ratio, the institution’s quarter-end loan balances do not fully reflect total lending activity for the period.

Institution (continued)

The following table summarizes Gateway’s quarterly loan-to-deposit ratio between December 31, 2008 and September 30, 2010.

Loan-To-Deposit Ratio									
At Recent Quarter Ends During-Review Period									
Quarterly Period	9/30/10	6/30/10	3/31/10	12/31/09	9/30/09	6/30/09	3/31/09	12/31/08	Average
Loans (\$000s)	245,599	230,289	253,082	317,351	332,700	357,805	394,914	382,128	314,234
Deposits (\$000s)	292,074	297,844	317,540	338,800	345,981	348,386	352,890	366,020	332,442
LTD Ratio	84.1	77.3	79.7	93.7	96.2	102.7	111.9	104.4	93.7
Peer Group *	90.0	90.6	88.9	93.6	95.5	96.8	98.4	103.4	na
Percentile of Peer	37	23	25	50	50	62	73	52	na

* Peer Median represents the median loan-to-deposit ratio for thrift institutions with total assets between \$300.0 million and \$1.0 billion.

Lending Activity

- During the review period, Gateway originated or purchased 4,419 residential mortgage loans for \$1.7 billion in its San Francisco Bay Area assessment areas. This lending activity represented 6.5 times the dollar amount of branch deposits as of December 31, 2010. By MSA or MD, Gateway’s lending was as follows:
 - San Francisco-San Mateo-Redwood City MD – 877 loans totaling \$378.1 million.
 - Oakland-Fremont-Hayward MD – 1,842 loans totaling \$671.4 million.
 - San Jose-Sunnyvale-Santa Clara MSA – 1,700 loans totaling \$682.0 million.
- In 2009, Gateway achieved a relatively high market share of HMDA lending in each of the MSAs or MDs in its assessment area.

The following table illustrates Gateway’s 2009 HMDA market share and ranking in each MSA or MD for its total residential mortgage lending.

Residential Mortgage Lending Market Share in 2009		
Assessment Area	HMDA Market Share and Rank	
	%	#
San Francisco-San Mateo-Redwood City MD	0.5	28 of 464
Oakland-Fremont-Hayward MD	0.5	29 of 517
San Jose-Sunnyvale-Santa Clara MSA	0.5	27 of 462

ASSESSMENT AREA CONCENTRATION

Only 15.1 percent of Gateway’s loans were granted within its San Francisco Bay Area assessment areas. However, given the nature of Gateway’s QuickSale loan program and its overall strong level of lending within its assessment areas, Gateway’s assessment area concentration is reasonable. The

Institution (continued)

table below illustrates the ratio of loans granted within its San Francisco Bay Area assessment areas compared to total lending during the review period.

Assessment Area Concentration						
Lending Reported between 1/1/09 –12/31/10						
Review Period	Number of Loans			Dollar Amount (\$000)		
	Assessment Area Lending	Total Lending	Ratio of AA to Total	Assessment Area Lending	Total Lending	Ratio of AA to Total
All HMDA Lending	4,419	29,278	15.1	1,731,563	8,225,251	21.1
2010	2,704	15,689	17.2	1,141,576	4,750,627	24.0
2009	1,715	13,589	12.6	589,987	3,474,624	17.0

LENDING TO BORROWERS OF DIFFERENT INCOMES

- The penetration of Gateway’s loans among individuals of different income levels is reasonable.
- Gateway originated or purchased 913 residential mortgage loans totaling \$226.9 million to low- and moderate-income borrowers in its San Francisco Bay Area assessment areas.
- The percentage of Gateway’s lending to low- and moderate-income borrowers exceeded the 2009 HMDA aggregate in each of its assessment areas.
- Gateway’s rank and market share of loans to low- and moderate-income borrowers in 2009 was higher than its overall residential mortgage lending rank and market share in each of its assessment areas.
- Gateway originated or purchased 237 residential mortgage loans totaling \$45.3 million to low-income borrowers in the combined assessment areas.
- The percentage of Gateway’s lending to low-income borrowers exceeded the 2009 HMDA aggregate in each of its assessment areas.
- Gateway’s rank and market share of loans to low-income borrowers in 2009 was higher than its overall residential mortgage lending rank and market share in each of its assessment areas.

The following tables show the distribution of Gateway’s loans by borrower income categories for both Gateway and the 2009 HMDA aggregate and shows the institution’s market share and rank of low- and moderate-income borrower lending in each assessment area.

Institution (continued)

San Francisco-San Mateo-Redwood City MD							
	Demographics	Gateway Bank			2009 HMDA	HMDA Market Share	
Income Level	% Families	#	% #	\$	% #	%	Rank
Low	21.3	35	4.0	8,107	3.4	1.0	20 of 155
Moderate	17.6	130	14.8	41,026	11.0		
Low & Moderate	38.9	165	18.8	49,133	14.4	0.8	19 of 239
Middle	20.0	207	23.6	77,704	19.3		
Upper	41.1	498	56.8	247,893	56.2		
NA	0.0	7	0.8	3,400	10.1		
Total	100.0	877	100.0	378,130	100.0	0.5	28 of 464

Oakland-Fremont-Hayward MD							
	Demographics	Gateway Bank			2009 HMDA	HMDA Market Share	
Income Level	% Families	#	% #	\$	% #	%	Rank
Low	21.0	115	6.2	18,806	5.4	0.8	23 of 227
Moderate	17.5	274	14.9	63,596	13.4		
Low & Moderate	38.5	389	21.1	82,402	18.8	0.8	20 of 338
Middle	21.2	390	21.2	127,701	20.4		
Upper	40.3	1,051	57.1	457,387	46.9		
NA	0.0	12	0.6	3,956	13.9		
Total	100.0	1,842	100.0	671,446	100.0	0.5	29 of 517

San Jose-Sunnyvale-Santa Clara MSA							
	Demographics	Gateway Bank			2009 HMDA	HMDA Market Share	
Income Level	% Families	#	% #	\$	% #	%	Rank
Low	20.5	87	5.1	18,425	4.4	1.0	18 of 181
Moderate	18.1	272	16.0	76,933	11.9		
Low & Moderate	38.6	359	21.1	95,358	16.3	1.0	18 of 274
Middle	21.7	440	25.9	165,538	22.3		
Upper	39.7	892	52.5	417,762	51.9		
NA	0.0	9	0.5	3,329	9.5		
Total	100.0	1,700	100.0	681,987	100.0	0.5	27 of 462

GEOGRAPHIC DISTRIBUTION BY LOANS

- The geographic distribution of Gateway’s loans reflects reasonable dispersion throughout its assessment areas.
- Gateway originated or purchased 569 residential mortgage loans totaling \$161.4 million within low- and moderate-income census tracts in its San Francisco Bay Area assessment areas.

Institution (continued)

- The percentage of Gateway’s lending within low- and moderate-income census tracts was slightly above the 2009 HMDA aggregate in the San Francisco-San Mateo-Redwood City MD and below the 2009 HMDA aggregate in the other San Francisco Bay Area assessment areas.
- Gateway’s rank and market share of loans within low- and moderate-income census tracts in 2009 was slightly better than its overall residential mortgage lending rank and market share in each of its assessment areas.
- Gateway originated or purchased 80 residential mortgage loans totaling \$17.8 million within low-income census tracts in the combined assessment areas.
- The percentage of Gateway’s lending within low-income census tracts was slightly above the 2009 HMDA aggregate in the Oakland-Fremont-Hayward MD and slightly below the 2009 HMDA aggregate in the other San Francisco Bay Area assessment areas.
- Gateway’s rank and market share of loans to low-income borrowers in 2009 was higher than its overall residential mortgage lending rank and market share in the San Francisco-San Mateo-Redwood City MD and commensurate to its overall market share and rank in its other assessment areas.

The following tables show the distribution of Gateway’s loans by geographic income categories for both Gateway and the 2009 HMDA aggregate and shows the institution’s market share and rank of low- and moderate-income census tract lending in each assessment area.

San Francisco-San Mateo-Redwood City MD							
	Demographics	Gateway Bank			2009 HMDA	HMDA Market Share	
Income Level	% Tracts	#	% #	\$	% #	%	Rank
Low	7.3	18	2.1	6,540	2.8	0.6	24 of 139
Moderate	21.5	113	12.9	43,847	11.4		
Low & Moderate	28.8	131	15.0	50,387	14.2	0.6	29 of 268
Middle	39.0	361	41.2	143,313	41.1		
Upper	31.7	385	43.8	184,430	44.7		
NA	0.5	0	0.0	0	0.0		
Total	100.0	877	100.0	378,130	100.0	0.5	28 of 464

Institution (continued)

Oakland-Fremont-Hayward MD							
	Demographics	Gateway Bank			2009 HMDA	HMDA Market Share	
Income Level	% Tracts	#	% #	\$	% #	%	Rank
Low	10.6	46	2.5	6,542	2.3	0.5	34 of 169
Moderate	21.1	147	8.0	34,264	9.6		
Low & Moderate	31.7	193	10.5	40,806	11.9	0.6	30 of 296
Middle	39.1	588	31.9	174,407	38.1		
Upper	29.0	1,061	57.6	456,233	50.1		
NA	0.2	0	0.0	0	0.0		
Total	100.0	1,842	100.0	671,446	100.0	0.5	29 of 517

San Jose-Sunnyvale-Santa Clara MSA							
	Demographics	Gateway Bank			2009 HMDA	HMDA Market Share	
Income Level	% Tracts	#	% #	\$	% #	%	Rank
Low	4.0	16	0.9	4,675	1.2	0.5	27 of 104
Moderate	22.6	229	13.5	65,516	13.7		
Low & Moderate	26.6	245	14.4	70,191	14.9	0.7	25 of 289
Middle	46.7	820	48.2	314,798	45.7		
Upper	26.7	635	37.4	296,998	39.4		
Total	100.0	1,700	100.0	681,987	100.0	0.5	27 of 462

RESPONSE TO COMPLAINTS

Gateway did not receive any CRA-related complaints during the review period.

Community Development Test

A community development activity is a loan, investment, or service that has community development as its primary purpose. The CRA regulation defines community development as: (1) the provision of affordable housing for low- and moderate-income individuals; (2) community services targeted to low- and moderate-income individuals; (3) activities that promote economic development by financing small businesses or small farms; or (4) activities that revitalize and stabilize low- and moderate-income geographies, distressed or underserved non-metropolitan middle-income geographies, or designated disaster areas.

Gateway’s community development performance demonstrates adequate responsiveness to community development needs of its assessment areas. Considering its operational restrictions, capacity, expertise, and focused outreach, Gateway’s qualified investments and community development services are deemed reasonable at this time.

Institution (continued)

During the previous CRA evaluation, Gateway's community development activities were deemed insufficient to be considered satisfactory. Given the lack of any substantive infrastructure for conducting community development activities as of the last evaluations, we recognize that a successful community development program can not be developed and implemented overnight. In addition, given the timing of the previous evaluation, conducted in late 2009, this evaluation takes into consideration the significant outreach efforts employed by management in 2010. We also recognize that since the last CRA evaluation, Gateway has been subject to regulatory operating restrictions. As a result, many potential partnerships identified or community development ideas explored were not fully developed. Notwithstanding these impediments, Gateway's considerable efforts; however, began to come to fruition in late 2010 and early 2011.

Gateway's community development outreach efforts and activities are as follows.

Community Development Investments

As part of its outreach efforts in 2010, Gateway took the initial steps to identify local community development organizations and identify ways in which Gateway could assist these organizations. During the review period, Gateway made investments or grants totaling \$305,375 to organizations for the purpose of community development. These investments would not have happened without the outreach efforts of Gateway staff in 2010. Examples of fruitful efforts include the following:

- In mid-December 2010, Gateway purchased a \$250,000 Economic Development certificate of deposit at Self-Help Credit Union, a CFDI.
- Also in December 2010, Gateway established and funded the Gateway Community Fund, a \$50,000 corporate donor advisory fund to be managed by the East Bay Community Foundation (EBCF). EBCF identifies organizations that serve community development needs of Gateway's assessment areas and distributes grants to such organizations. In 2011, grants were given to the following organizations:
 - Inner City Advisors (\$7,500) – Small Business and Jobs Development
 - Self-help Economic Development (\$5,000) – Financial Literacy
 - Unity Council (\$5,000) – Financial Literacy and Homeownership Counseling
 - Asian Advisory Committee on Crime (\$5,000) – Cameras in Lincoln Park
- Gateway also made \$5,375 in qualifying cash and in-kind donations to support fundraising efforts of several community development organizations.

Community Development Services

Gateway provides an adequate level of community development services. Gateway staff, as representatives of Gateway provided services that included board memberships, financial literacy,

Institution (continued)

and fundraising efforts to organizations serving low- and moderate-income, distressed, or at risk children or individuals. Listed below are service activities performed by Gateway that are considered community development services:

- The President of Gateway is a Director of Inner City Advisors.
- The President serves on the Board of the Oakland Police Foundation (OPF). The OPF is non-profit and funds programs to reduce domestic violence and crime and increase arrests and prosecutions in order to improve the lives of the residents of Oakland. These programs ultimately serve to stabilize Oakland's inner-city neighborhoods that would, without the vigilance of its citizens succumb to violence and crime.
- The President serves on the Board of Children's Hospital and Research Center Oakland (CHO). CHO serves children from all over the San Francisco Bay Area and Northern California regardless of ability to pay.
- Gateway's staff conducts financial literacy education to students, and their parents, of Lincoln Elementary School. Seventy-seven percent of Lincoln Elementary students are eligible for discounted or free lunches.
- Two members of Gateway's staff served as Board Members of Oakland Chinatown Lion's Club (Lion's Club). Lion's Club serves low- and moderate-income seniors and families.
- Through its efforts to strengthen its community development involvement, Gateway became more involved in its communities. While not all of these new relationships result in community development activity, we recognize that providing support to any community organization is an integral part of serving a community as a whole.

Outreach

Gateway has met with numerous organizations in 2010 to discuss various ways it could partner with these groups to better serve the community development needs of its assessment areas. As mentioned in the beginning of this section, there are currently various impediments that prevent many of the ideas discussed from becoming a reality at this time. For example, Gateway's outreach efforts included meeting with housing-related organizations and other financial institutions to develop loan programs to modify loans for low- and moderate-income individuals to prevent foreclosure and help them keep their homes. The combination of terms required by these prospective partners and operational restrictions placed on Gateway, unfortunately, prevented the development of any loan modification programs at this time.

In addition to the organizations specifically mentioned above, named below are just a few of the many groups with which Gateway attempted to partner:

- East Bay Asian Local Development Corp.

Institution (continued)

- Urban Strategies
- Habitat for Humanity
- Bridge Housing
- One California Foundation
- California Reinvestment Coalition
- Black Economic Council
- NeighborWorks
- Mid-Peninsula Housing

Fair Lending or Other Illegal Credit Practices Review

Our review of Gateway's compliance with the substantive provisions of anti-discrimination laws and regulations did not reveal any patterns or practices of discrimination or use of other illegal credit practices.

Appendix A

Scope of Examination

This evaluation of Gateway Bank, F.S.B's Community Reinvestment Act (CRA) performance covers a review period of January 1, 2009 through December 31, 2010.

Our evaluation of the institution's lending performance included a review of loans originated by the institution for the purchase or refinance of one- to- four family and multifamily residential properties as well as home improvement loans. For comparative information, this evaluation included a review of publicly reported residential lending for the institution and other lenders in Gateway's assessment areas. The institution's lending results were compared with Home Mortgage Disclosure Act (HMDA) aggregate lending results for 2009, which includes market share information and distributions of credit activity by area- and borrower-income levels. Lending results were also compared to the 2000 U.S. Census demographic information.

We reviewed lending and financial information from the Thrift Financial Reports (TFRs) and Uniform Thrift Performance Reports (UTPRs) regarding the institution's performance and that of its asset-size peer group (OTS-regulated institutions with total assets between \$300.0 million and \$1.0 billion). In addition, we reviewed internal reports prepared by the institution regarding loan originations and distributions.

Participations in community development loans, including the institution's involvement and details of the specific projects or transactions, were also reviewed. Evaluation of the institution's community development investment performance included a review of the institution's reports of investments made during the review period; information regarding the composition of the institution's investment portfolio; and corporate contributions and grants made to community development organizations by the institution. We also reviewed information regarding services offered by the institution to determine whether these services met the regulatory definition of "community development services," including information obtained from these organizations.

We reviewed information regarding the location, hours, and services provided at each of the institution's branch offices; reports of deposits at each of the institution's branches; information regarding alternative delivery systems; and any additional financial services provided by the institution. We reviewed the geographic distribution of the institution's branch offices, including the income level of the census tract in which each is located, and records regarding the opening, closing, purchase, or relocation of the institution's branch offices.

To obtain demographic, economic, business, and property-use information for the assessment area, we reviewed information from the 2000 U.S. Census. We also reviewed more current information, including updated population estimates and housing information from the U.S. Census Bureau,

Appendix A (continued)

updated income information from the U.S. Department of Housing and Urban Development (HUD) as of 2010, and recent employment and income data for 2009 through 2010 from the U.S. Bureau of Labor Statistics (BLS).

Finally, inasmuch as we did not identify any discriminatory lending policies or practices, this CRA evaluation was not negatively affected by its fair lending performance.

Appendix B

Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	Lending Test Rating	Community Development Test Rating	Overall State Rating
San Francisco-San Mateo-Redwood City MD	Satisfactory	Satisfactory	Satisfactory
Oakland-Fremont-Hayward MD	Satisfactory	Satisfactory	Satisfactory
San Jose-Sunnyvale-Santa Clara MSA	Satisfactory	Satisfactory	Satisfactory

CRA Rating Definitions

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.