



Royal Business Bank

2022 Environmental Social Governance Report



A Message from the CEO



Royal Business Bank's commitment to the principles of ESG date back to the bank's founding 15 years ago.

As a Minority Depository Institution (MDI) and a Community Development Financial Institution (CDFI), our focus has always been on serving the financial needs of the communities in which we live and work. We help families finance their first homes, assist small businesses, and volunteer our time and resources to support local underserved communities.

Our workforce is as diverse as the communities we serve, and our success is a direct result of their efforts. We are committed to providing our employees with opportunities for professional development, competitive benefits and wages, and the flexibility needed to foster a skilled workforce.

Our Board of Directors is similarly diverse, with 60% of directors representing racial and ethnic minority groups and one third of our directors being female. We also adopted new corporate governance policies and standards which include enhanced director independence standards, an independent board chair, updated board committee charters and a new code of ethics.

Our commitment to the principles of ESG strengthen our bank and enhance our ability to contribute to the communities we serve.



Royal Business Bank

Who We Are

Royal Business Bank is a California state bank founded in Los Angeles in 2008. Our headquarters is in Los Angeles with administrative offices in San Gabriel and Buena Park, California. Royal Business Bank operates in six states, with 24 branches across California, Nevada, New York, Illinois, New Jersey and Hawaii. We are a publicly traded company, registered as Royal Business Bank Bancorp (RBB).



Founded in 2008



24 Branches



NASDAQ: RBB



Team members
378



\$3.9B in Assets



\$2.9B in Deposits



\$3.3B in Loans



MDI Certified



Royal Business Bank

ENVIRONMENTAL



ENVIRONMENTAL

COMMITMENT TO OUR ENVIRONMENT



OUR GOALS:

By 2023 – Reduce single use plastic at the company level by providing all employees with reusable eating utensils and tumblers

By 2024 – Have energy efficient lighting throughout offices and headquarters.

By 2025 - We utilize a hybrid work schedule that reduces our carbon footprint minimizing our emissions output. We invest and incorporate technology that allows for teleconferencing and video conferencing. This hybrid model also helps reduce the amount of paper waste the office would otherwise produce. As part of our mission to continue implementing a hybrid work-from-home schedule for our team, RBB will review employees who commute to work and recommend a schedule that assists our goal of reducing our carbon footprint.

RBB has begun the measurement process to help establish a GHG baseline which is an important first step towards measuring annual progress, making meaningful reductions in emissions and setting future targets.

- ✓ RBB pivoted to a remote workforce in response to the pandemic which significantly reduced the company's usage of water, paper usage, and emissions associated with employee commuting. Currently, RBB has implemented a hybrid remote work schedule which is a decrease of emissions in comparison to pre-pandemic levels.
- ✓ RBB promotes greenhouse gas reductions by promoting employee ridesharing, subsidizing public transportation, providing charging stations for electric vehicles, and investing in video conferencing technology. 25% of RBB staff take public transportation or carpool
- ✓ Environmental Conservation – 100% of our electronic waste is processed by certified responsible vendors.



Royal Business Bank

SOCIAL



At Royal Business Bank, we believe that our most valuable assets are our own team members. The strength of our business is a direct result of the strength of our team members. We are committed to providing our employees with opportunities for professional development, competitive benefits and wages, and the flexibility needed to retain, inspire and foster a skilled workforce.

Our Greatest Resource: Our Employees

- RBB continues to support our employees' success by providing the flexibility of a remote workforce when needed. We do not outsource job functions or use subcontractors to fill open positions. None of our employees are represented by any collective bargaining unit or are parties to a collective bargaining agreement.

RBB embraces our employees' differences and provides equal opportunity regardless of age, color, race, ethnicity, family or marital status, gender identity, language, national origin, religion, socio-economic status or any category protected by federal, state or local law.

- RBB hired a training manager to give additional training, increase knowledge, and improve skills and abilities for better job performance. We are focused on conducting our business in a safe and efficient manner and in compliance with all local, state and federal safety regulations.
- RBB celebrates its employees by communicating new hires, birthdays, and promotions on our monthly newsletters. We recognize milestone anniversaries by awarding employees with gifts.
- We believe that diversity of thought results in better outcomes and empowers our employees to make more meaningful contributions within our company and communities. 66% of RBB's employees are women. For management, 63% are women.
- We are committed to offering a competitive total compensation package. In order to stay in line with the evolving best practices for comprehensive benefits packages, RBB engages with an outside benefits expert for evaluation. RBB offers medical, dental, vision, voluntary life, voluntary AD&D, short term and long-term disability, flexible spending accounts and 401(k) with a competitive employer match.
- For RBB's employees Health & Wellness, the bank provides employees with over 20 days of paid time off that include vacation, sick leave, and personal days
- Environmental Conservation – 25% of RBB staff take public transportation or carpool.



We believe in the value of teamwork and the power of diversity. We expect and encourage participation and collaboration, and understand that we need each other to be successful. We value accountability because it is essential to our success. We accept our responsibility to hold ourselves and others accountable for meeting shareholder commitments and achieving exceptional standards of performance.



Community Highlights

\$284

Million in

mortgage financing for low to moderate income individuals and in low to moderate-income areas.

\$230

Million in

Community Development Lending

\$34

Million in

investments into affordable housing, small business and charitable contributions.

3,300 in

Volunteer Community Service hours in underserved communities. We achieved an average of 9 volunteer hours per employee.

RBB prioritizes in creating a positive change in our communities with a focus on low to moderate-income individuals and families. We believe that our strong local community ties, our extensive industry knowledge and our fast response time is a competitive advantage in our markets.



- As an MDI we play an important role in assisting underserved communities.
- We work with 77 non-profit partners.
- Supporting Higher Education – We help at risk youth pursue higher education and break the cycle of poverty by providing Scholarships.
- Supporting Underserved Communities – By partnering with non-profit organizations, RBB helps to provide free tax return services, allowing low to moderate income individuals and families to receive their tax refund through the VITA (Volunteer Income Tax Assistance) program.
- Financial Literacy – Supporting Financial Literacy programs that help customers and community members learn more about managing their money, home ownership and access to capital.

SOCIAL GOALS



CORPORATE RESPONSIBILITY

- In 2023 - We included on our intranet important employee announcements, including work anniversaries, birthdates, new hires, upcoming events, recognition of company milestones, and employee recognitions.
- In 2023 - Our CEO provides quarterly company updates to reinforce proactive communication from leadership.
- In 2024 - Lunch with the CEO. We will have quarterly lunches to celebrate work anniversaries and promotions.
- In 2024 - We will implement and develop an employee engagement survey to solicit feedback from employees regarding corporate culture, work environment, training, and compensation.

- Food Drive – Provided over 200 families with a Thanksgiving meal.
- Provided over 100 low-income children with toys and gift cards for Christmas.
- Provided support to non-profit partners that provide free medical, dental, vision, and vaccines in underserved communities.
- Partnered with The American Red Cross to host a blood drive to help save lives.
- RBB invests in our underserved youth by providing educational workshops like resume building, conducting mock interviews, and hosting field trips to our corporate office to learn about the banking industry.





Royal Business Bank

GOVERNANCE



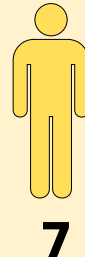
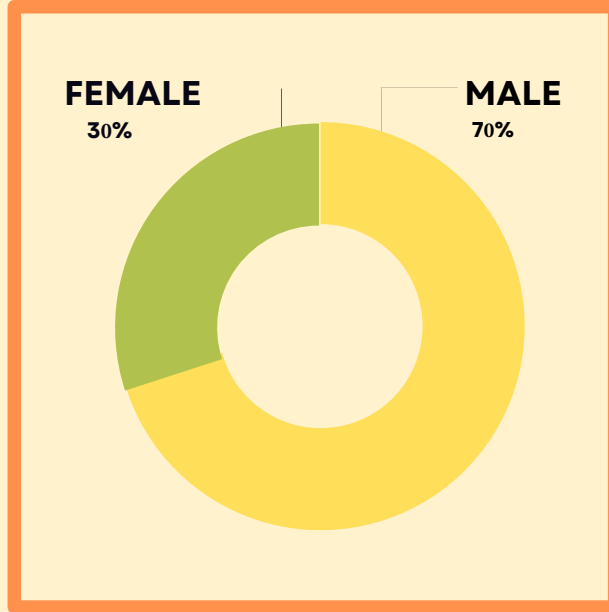
GOVERNANCE

BOARD OF DIRECTORS

Chairman:
Dr. James Kao
Director Since 2015
Chairman of the Board, DLC
RBB Chairman of Board and Private investor

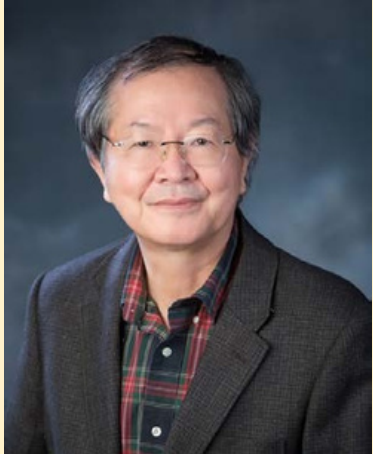
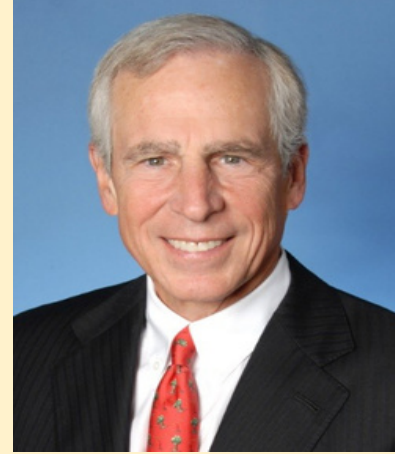
Director:
Robert (Bob) Franko
Director Since 2023
ALCO (Chair)
Compensation, NG, DLC,

GENDER



Director:
William A Bennett
Director Since 2023
ALCO, DLC, IT, CRA

Director:
Christina Kao
Director Since 2019
NG (Chair),
Compensation (Chair), FAIBCC (Chair), Audit, IT, RAM





Director:
Joyce Wong Lee
 Director Since 2022
 CRA (Chair), Audit,
 IT, DLC, RAM,
 FAIBCC

RACE



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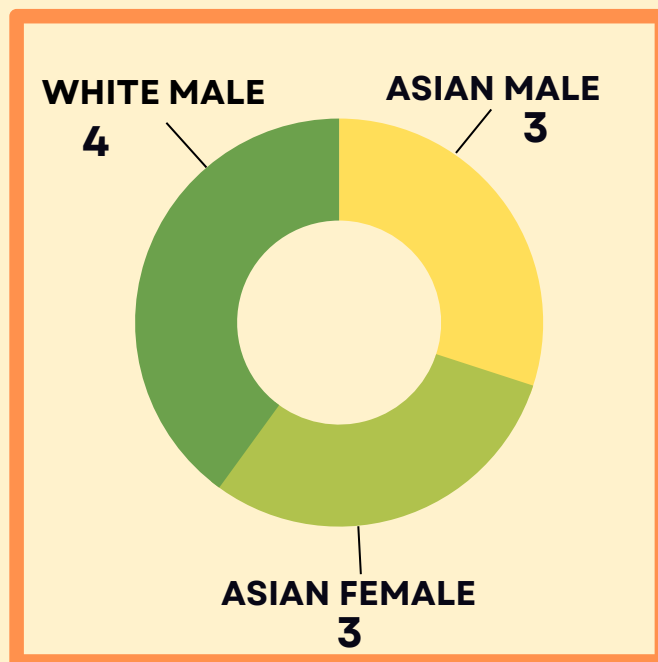
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Director:
Geraldine Pannu
 Director Since 2022
 RAM (Chair), Audit,
 Compensation,
 DLC,NG, FAIBCC



Director:
Christopher Lin
 Director Since
 2010 DLC (Chair),
 Compensation,
 NG, CRA, RAM,
 FAIBCC



Director:
Scott Polakoff
 Director Since 2023
 Audit (Chair),
 Compensation, NG,
 ALCO



Director:
David Morris
 Director Since 2022
 CEO of RBB Bancorp,
 ALCO, DLC, IT, CRA,
 RAM, FAIBCC

Director:
Frank Wong
 Director Since 2023
 IT (Chair), Audit,
 ALCO, CRA



KEY RESPONSIBILITIES AND FUNCTIONS OF THE BOARD

The Board holds regular meetings during which the Board and Bank management shall participate in discussions on a broad array of issues, including the Organization's performance, recent developments, strategic plans, and objectives. The Board, including through its committees, also attends to specific functions, including:

- Establishing the level of risk that the Organization should take.
- Approving the organization's overall business strategies and significant policies.
- Overseeing the business and financial strategies of the Bank.
- Acting in the best interests of all Shareholders.
- Promoting honest, lawful, and ethical conduct and sound corporate governance, full, fair, and timely public disclosures, and avoidance of conflicts of interest.
- Developing and maintaining a sound understanding of the Organization's business and operations and the banking industry.
- Approving the financial statements and related reports and policies for compliance with applicable laws, rules, and regulations.
- Overseeing that the Organization has an effective and independent internal audit function.
- Considering and responding to any feedback or concerns identified by the Bank's regulators.
- Selecting competent executive management, providing proper incentives for them to operate the Bank in a safe and sound manner, evaluating the performance of the Chief Executive Officer (the "CEO") and executive management, and overseeing management development.

Duties of Directors:



Maintain and exercise independent judgment.



Keep informed of the activities and condition of the Bank and the environment in which it operates.



Ensure that the day-to-day operations of the Bank are in the hands of qualified management.



Supervise management by adopting policies, monitoring their implementation, providing for their independent review, and heeding the reports from the Banks's regulators.



Avoiding preferential transactions involving insiders or their related interests.

AUDIT COMMITTEE

The purpose of the Audit Committee is to monitor the financial reporting process and internal control systems. The Audit Committee provides an open avenue of communication among the independent auditors, financial and senior management and the Board. The committee is responsible for the integrity of financial statements, financial reporting process, and systems of internal controls regarding finance, accounting, and risk management within the Bank. Moreover, the committee is responsible for overseeing the qualification, independence, and performance of the Bank's auditors, in addition to ensuring that the Bank meets all legal and regulatory requirements. (The Audit committee Charter requires a minimum of three (3) directors, and the Board of Directors elects the Chair of the Committee.)

COMPENSATION COMMITTEE

The Compensation Committee is appointed by the Board of Directors of the Company to assist the Board in monitoring the performance of the executive officers in relation to the Company's strategies and Goals. The committee also oversees the compensation and incentive programs of the executive officers of the Company. The Compensation Committee works with an independent consultant that reviews executive compensation as benchmarked to competitors and shareholder expectations, and the committee assists in communicating executive compensation and policies with shareholders.

IT COMMITTEE

(The Information Technology Committee is appointed by the Board of Directors of the Bank and is composed of a minimum of three (3) directors, including one Director that is appointed to be the Chair of the Committee.) The IT committee is responsible for reviewing and monitoring the Bank's technology strategy and significant technology investments in support of its evolving strategic business needs. The IT Committee also evaluates new technology innovations and manages security risks and threats, especially from new, disruptive disruptive technologies.

CRA COMMITTEE

(Community Reinvestment Act Committee is composed of a minimum of three directors.) The CRA Committee meets on a quarterly basis to review the Bank's lending activities in its assessment areas, outreach initiatives, and progress toward meeting the Bank's annual CRA goals. CRA also reviews and monitors the Bank's performance in meeting the credit needs of the communities that the bank serves in, including credit extended to low-moderate income borrowers, small business, and community development borrowers. Lastly, CRA monitors the Bank's outreach efforts and continues to develop programs and products that support the needs of the community that the Bank serves in.

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**BOARD
COMMITTEES**

DLC COMMITTEE

(The Compliance Committee comprises of at least three board members appointed by the Board of Directors. It consists of six directors on the committee and one chair that is appointed by the Board of Directors.) The Loan Committee monitors the Bank’s loan products, origination volume, market area, and secondary market activities. In addition, the committee performs a periodic review of the Bank’s loan grading system and monitors the performance of the system, which includes the review of quarterly classification reports and external loan reviews. The Loan Committee also approves any Loan Charge-offs above the threshold established in the Loan/Credit Policy and reports significant matters to the Board for review and approval.

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BOARD COMMITTEES

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NOMINATION, AND CORPORATE GOVERNANCE COMMITTEE

The Nomination & Corporate Governance Committee oversees the governance of the Bank with regular reviews of policies and procedures. In addition, the committee reviews and evaluates the size, composition, function, and duties required by the Board and Bank to support the goals set forth. As such, the committee gives recommendations of director nominees for election at the next annual shareholders meeting and works with management to build the succession plan.

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ALCO COMMITTEE

The Asset/Liability Committee (“ALCO”) is appointed by the Boards of Directors of the Bank and the Company to assist in accessing the adequacy and monitoring the implementation of the Bank and the Company’s Asset and Liability Management Policy. ALCO oversees the Bank’s policies and procedures relating to the interest rate risk, market/investment risk, liquidity risk, and capital risk. (The ALCO Charter requires at least (3) directors who are nominated by the Board of Directors on an annual basis and the Board of Directors elects the Chair of the Committee.) ALCO tries to mitigate the Bank’s exposure to rising and falling rates and assures adequate liquidity levels, especially under stress conditions.

Executive Team



David R. Morris

Mr. Morris is Chief Executive Officer. He formerly served as an Executive Vice President and Chief Financial Officer of the Bank in February 2010 and of the Company since 2011



Johnny Lee

Mr. Lee joined the Bank in June 2023 as President and Chief Banking Officer



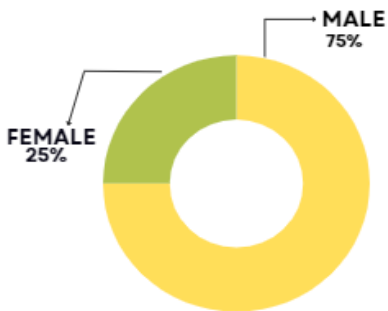
I-Ming (Vincent) Liu

Mr. Liu is Chief Risk Officer has been an executive officer since the founding of the Bank in 2008 and of the Company since 2011



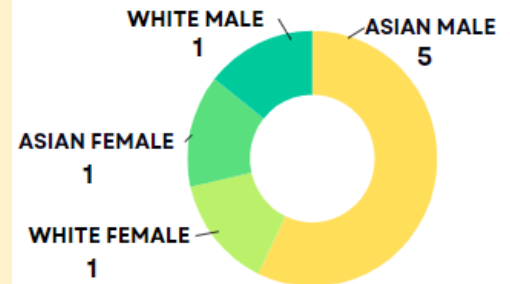
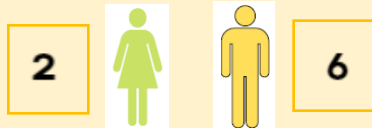
Jeffrey Yeh

Mr. Yeh is Chief Credit Officer has been an executive officer since the founding of the Bank in 2008 and of the Company since 2011



GENDER

RACE



Tsu Te Huang

Mr. Huang serves as an Executives Vice President and Director of Prestige Banking Group. He joined the bank in 2009



Ashley Chang

Ms. Chang serves as an Executive Vice President and Branch Administrator. She joined the bank in 2009



Gary Fan

Mr. Fan serves as an Executive Vice President and Chief Administrative Officer of the Bank since 2022



Lynn Hopkins

Ms. Hopkins joined the Bank in December 2023 as Executive Vice President and Interim Chief Financial Officer

COMPENSATION

The Bank's compensation programs are designed to attract and retain high quality officers and managers that are critical to its long-term success. The Company's Board of Directors and management believe that the most effective executive compensation program is one that is designed to reward the achievement of specific annual strategic goals, which aligns employee interests with those of the shareholders by rewarding for performance, with the ultimate goal of improving shareholder value without rewarding undue short-term risk-taking.

In the annual incentive plan, we align the interests of our employees with those of our shareholders, by utilizing performance-based incentive compensation, based primarily on financial metrics that support the goals of the bank.



Provide a base salary that is competitive in our industry

Our compensation program is generally designed to achieve the following objectives

Attract and retain talented and experienced officers and managers



Offer equity-based compensation to selective employees that also serves to better align the interests of our employees with those of our shareholders.



Ethics & Compliance



Business Ethics

RBB upholds the highest ethical standards in all areas of our bank. We are committed to conducting our business with the utmost integrity through our employee training, policies, procedures and governance. Our Code of Ethics aligns with our business practices and outlines what we expect of all our employees, officers and vendors. The Code of Ethics covers topics such as insider trading, political activity, gifts and conflict of interest and more. Our strong foundation for the way we conduct business is guided by adhering to our Code of Ethics, and complying with laws and regulations.

As a condition of employment, all RBB employees are required to complete annual training on ethics-related topics that include RBB's Code of Ethics.



Whistleblower Program

RBB has established a Whistle-blower Policy that outlines the standards and procedures to ensure the handling of any complaint of violation to our Code of Ethics, any wrongdoing, unethical conduct, illegal or fraudulent activity. The Whistle-blower program has an anonymous hot-line number, website address and email address. The policy applies to all bank operations and employees. All bank employees receive an annual training.

Any employee can report such activity to the Director of Human Resources, the Audit Committee Chairperson, or the Nomination & Corporate Governance Chairperson or the Company's Whistle-blower Hotline or email. The Audit Committee will promptly start to investigate the complaint. RBB's policy prohibits retaliation against any individual who makes any report or complaint.



Cyber Security and Data Privacy

The Royal Business Bank Information security program is founded upon stringent policies that support the Confidentiality, Integrity and Availability (CIA) information security model. Controls that ensure the protection, availability and integrity of Bank, customer and employee data are core components of our program. The bank continuously monitors, assesses and reviews the evolving cybersecurity threat landscape and adjusts controls as needed to respond and mitigate information security risks to constantly improve our information security preparedness.



Bank Secrecy Act (BSA)

Royal Business Bank (RBB) is a U.S. financial institution that is required to comply with the Bank Secrecy Act and the USA Patriot Act. As part of the Bank's BSA/AML compliance program, RBB has designated a BSA Officer who has developed and implemented policies and procedures to ensure compliance with BSA and AML laws. These policies and procedures define how the bank verifies the identities of our customers and the beneficial owners of companies with accounts. The bank conducts ongoing monitoring to identify and report suspicious activity and seeks to understand the purpose and nature of our customer relationships. The bank provides annual bank-wide training to employees relevant to their role in the organization and periodic specialized training for staff who have specialized functions related to BSA/AML. Finally, the bank understands the importance of U.S. sanctions programs and has implemented a robust screening process that applies to all employees, vendors, customers, and transaction activities. The policies are reviewed annually by the Board of Directors.