



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

July 31, 2007

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Chino Commercial Bank, National Association**  
Charter Number: 23950

14345 Pipeline Avenue  
Chino, California 91710

Office of the Comptroller of the Currency

Southern California South Field Office  
1925 Palomar Oaks Way, Suite 202  
Carlsbad, California 92008

**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.

## **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

- Chino Commercial Bank, N.A. granted a substantial majority of the number and dollar volume of its loans within its delineated assessment areas.
- Lending to businesses of different sizes compares favorably to area demographics.
- The geographic distribution of loans meets the standard of satisfactory performance.
- The bank's loan-to-deposit ratio is reasonable given its size, a newly opened branch, and overall business strategies.

## **SCOPE OF EXAMINATION**

This represents the second CRA performance evaluation of Chino Commercial Bank, N.A., since the bank opened in September 2000. We evaluated performance using the lending test criteria in the CRA regulation for small bank examinations. We analyzed a random sample of commercial loans the bank originated or purchased between January 1, 2005, and June 30, 2007. We focused our review on commercial loans because they represent the major portion of the bank's lending activity.

## **DESCRIPTION OF INSTITUTION**

Chino Commercial Bank, N.A. is a full-service community bank headquartered in Chino, California. The bank is wholly-owned by Chino Commercial Bancorp, a one-bank holding company. Since the last CRA examination, the bank opened a second branch located in nearby Ontario, California, in December 2006.

The bank provides community access to credit at its main office in Chino and the Ontario branch office. The main office is located in an upper-income census tract, surrounded by upper- and middle-income census tracts. The Ontario branch is located in a middle-income census tract, surrounded by upper-, middle-, and moderate-income census tracts. ATM services are available at both locations.

No financial or legal impediments hinder the bank's ability to meet the credit needs of the communities it serves. Based on the March 31, 2007, Call Report of Condition and Income, the bank had total assets of \$93 million, net loans of \$51 million (55 percent of total assets), and total deposits of \$84 million. The bank's primary business focus is commercial lending. Commercial real estate, construction, and business loans comprise 88 percent of the total loan portfolio.

The following table reflects the bank's loan portfolio composition as of March 31, 2007.

<b>LOAN PORTFOLIO COMPOSITION</b>		
<b>March 31, 2007</b>		
<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Commercial Real Estate and Construction	\$ 35,165	68%
Commercial-Industrial	\$10,380	20%
Other Commercial/Real-estate secured	\$4,886	10%
Consumer	\$1,178	2%
<b>Total:</b>	<b>\$51,609</b>	<b>100%</b>

Source: March 31, 2007 Report of Condition and Income

The last CRA examination in May 2003 rated the bank's performance as "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's CRA area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The area consists of whole and contiguous geographies within an approximate 20-mile radius of the two branch locations. This includes portions of two adjacent Metropolitan Statistical Areas (MSA): the Riverside-San Bernardino-Ontario MSA and the Los Angeles-Long Beach-Glendale MSA, representing two "assessment areas" for CRA purposes.

The banking environment is highly competitive. Several independent banks compete for market share with Chino Commercial Bank, N.A., including Inland Community Bank, Citizens Business Bank, Vineyard National Bank, and Pacific Western Bank. Large banks with branches in the area such as Bank of America, Wells Fargo, City National Bank, and Citibank are an increasing source of competition as they are pursuing small-sized businesses historically served by the smaller community banks.

### **Description of the Riverside-San Bernardino Assessment Area (AA)**

The delineated portion of the Riverside-San Bernardino-Ontario MSA represents the bank's "Riverside-San Bernardino assessment area (AA)." According to the 2000 U.S. Census, the population totaled 937,119 within the 126 census tracts that comprise this area. Of the total number of census tracts, there are no low-income tracts, 20 percent are moderate-income; 38 percent are middle-income; and 42 percent are upper-income census tracts. The 2000 U.S. census reported median housing value was \$161,653 with 65 percent of total housing units owner-occupied. The National Association of Realtors reported the January 2007 median housing value for the AA at \$404,400, more than 2.5 times since 2000. The 2006 HUD updated median family income in the AA was \$57,500.

The area economy is strong and expected to experience continued growth in 2007.

According to 2006 Business Geodemographic Data, the largest labor markets are in services (36 percent) and retail trade (16 percent). Major industries offering employment in Riverside and San Bernardino counties include medical services, schools, casinos, and Internet and catalog shopping, according to State of California economic data. Major employers include the Ontario International Airport, Pechanga Development, and the University of California-Riverside. Economic data reflect projected job growth of 2.9 percent in the next year, with some slowing in residential construction.

Approximately 66 percent of businesses in the bank's Riverside-San Bernardino AA have revenues of \$1 million or less.

The City of Chino expects to see continued growth as increasing land and labor costs in the coastal regions of Southern California pressure individuals and companies to migrate eastward. Chino's population grew by approximately 15 percent during the last decade, with manufacturing and distribution accounting for 52 percent of Chino's job growth. The migration of executives and professionals from the coastal regions will likely develop vacant land into upscale single-family homes. As land shortages occur, dairy land, now zoned for industrial use, is expected to be developed.

The City of Ontario projects the local area will become Southern California's next major urban center. Access to major freeways, railways, and the Ontario International Airport has contributed to strong growth in recent years. From 1991 to 2005, Ontario's employment more than doubled from 41,501 to 103,394, an increase of 149 percent. Companies taking new space in Ontario have access to a well-educated and skilled workforce that has migrated to the area for its lower costs compared to coastal California.

[Sources: CRA Wiz Demographic Data, Riverside-San Bernardino; The Husing Inland Empire Quarterly Economic Report, April 2007; City of Ontario 2006 Annual Report]

Examiners contacted two community organizations in the Riverside-San Bernardino-Ontario MSA to determine primary credit needs in the area. These organizations focus on housing and economic development issues. Based on these contacts, identified area credit needs include small business lending and affordable housing.

### **Description of Los Angeles Assessment Area**

A small northeastern portion of the Los Angeles-Long Beach-Glendale MSA forms the bank's "Los Angeles assessment area (AA)." According to the 2000 U.S. Census, the population totaled 517,778 within the 104 census tracts that comprise this AA. Of the total number of census tracts, 1 percent are low-income tracts; 10 percent are moderate-income; 28 percent are middle-income; 59-percent are upper-income; and 2 percent are not designated-income tracts because they consist of non-income producing areas. The 2006 HUD updated median family income in the delineated AA was \$56,200. The 2000 U.S. Census reports that 67 percent of housing units are owner-occupied. The National Association of Realtors reported a March 2007 median

housing value of \$589,900, compared to a December 2000 value of \$245,520, representing a 1.5 times increase in value throughout the entire Los Angeles area .

The leading industries in the MSA are international trade and tourism. Los Angeles also is a large manufacturing center, with an emphasis on apparel, computers and other electronics, and fabricated metal products. Film and television continue to be a large component of the economy. Defense and aerospace manufacturing also are significant sources of employment. The MSA unemployment rate has declined from 6.5 percent in 2004 to 5.4 percent in 2005 and still further to 4.5 percent in 2006. The continued population growth and the diverse economy have created many small business opportunities.

Approximately 67 percent of businesses in the bank's Los Angeles AA have revenues of \$1 million or less.

Examiners contacted two Los Angeles community organizations, an affordable housing organization, and an economic development organization. These organizations stated that predominant community credit needs are for affordable housing and loans for small businesses.

[Sources: CRA Wiz Demographic Data, Los Angeles; LAEDC Economic Data]

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable given its size, a newly opened branch, and overall business strategies. We analyzed the quarterly average loan-to-deposit ratio (LTD) over the last 17 quarters, since the bank's last CRA examination. The bank's average LTD ratio for this period is 50 percent. This ratio is lower when compared to six other community banks in a similar market area that are closest in asset size to Chino Commercial Bank, N.A. The combined average quarterly LTD ratio for the comparable banks over the same period is 72 percent.

The difference in average LTD ratio is reasonably explained. Chino Commercial Bank, N.A. is the smallest bank in the peer group; the Board wishes to maintain conservative loan underwriting practices despite increasing competitive pressures in the market; and the bank wishes to maintain a comparatively higher level of liquidity as a conservative operating objective.

Favorably, the bank's quarterly LTD ratio trended upward from 49 percent at year-end 2006 to 60 percent as of March 31, 2007. Bank management also anticipates that the recently opened Ontario branch will provide increased lending opportunities going forward.

## Lending in Assessment Area

Chino Commercial Bank, N.A. granted a substantial majority of the number and dollar volume of its loans within its delineated AAs and exceeds the standard for satisfactory performance. For this analysis, we reviewed a random sample of 20 commercial loans originated or purchased during the evaluation period because they represent the bank's primary loan product. Based on the sample, the bank originated or purchased 75 percent of the number and 81 percent of the dollar volume of loans within the defined AAs.

The following table reflects the number and dollar volume of loans the bank originated or purchased inside and outside its defined areas based on our sample.

<b>Table 1 - Lending within the Assessment Areas January 2005 through June 2007</b>										
	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial Loan Sample	15	<b>75%</b>	5	25%	20	\$2,015	<b>81%</b>	\$476	19%	\$2,491

*\*Source: Random sample of commercial loans*

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Chino Commercial Bank's lending to businesses of different sizes exceeds the standard for satisfactory performance. We randomly sampled 20 business loans the bank originated or purchased within the Riverside-San Bernardino AA. We also sampled all seven business loans originated or purchased within the Los Angeles AA during the evaluation period.

The samples reflect excellent penetration among businesses of different sizes in both areas, especially among small businesses (having gross annual revenues of \$1 million or less). Loans for small businesses are an identified community need. The percent of loans by number and dollar amount compare very favorably with business demographics in the respective areas.

The following tables reflect lending patterns to businesses of different sizes in each AA.

<b>Table 2a - Borrower Distribution of Loans to Businesses                      Riverside-San Bernardino Assessment Area                      January 2005 through June 2007</b>		
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
% of AA Businesses*	66%	7%
% of Bank Loans in AA by #	<b>75%</b>	25%
% of Bank Loans in AA by \$	<b>84%</b>	16%

\* Demographic Data Source: Dun & Bradstreet - 27 % of AA businesses did not report revenue data

<b>Table 2b - Borrower Distribution of Loans to Businesses                      Los Angeles County - Assessment Area                      January 2005 through June 2007</b>		
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
% of AA Businesses*	66%	6%
% of Bank Loans in AA by #	<b>71%</b>	29%
% of Bank Loans in AA by \$	<b>54%</b>	46%

\* Demographic Data Source: Dun & Bradstreet – 28% of AA businesses did not report revenue data

### **Geographic Distribution of Loans**

The bank's geographic distribution of loans meets the standard of satisfactory performance. We randomly sampled 20 business loans the bank originated or purchased within the Riverside-San Bernardino AA. We also analyzed all seven business loans originated or purchased within the Los Angeles AA during the evaluation period. Lending patterns compare reasonably with business demographics in the geographies within both areas. Lending patterns in the Los Angeles AA in particular compare very favorably with demographics.

The following tables reflect the geographic distribution of loans in each area.

<b>Table 3a - Geographic Distribution of Loans to Businesses Riverside – San Bernardino Area January 2005 through June 2007</b>								
<b>Census Tract Income Level*</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loan Sample	0%	0%	23%	<b>15%</b>	41%	<b>15%</b>	36%	<b>70%</b>

*\*Demographic Data Source: Dun & Bradstreet 2006*

<b>Table 3b - Geographic Distribution of Loans to Businesses Los Angeles Assessment Area January 2005 through June 2007</b>								
<b>Census Tract Income Level*</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loan Sample	3%	<b>29%</b>	9%	<b>42%</b>	26%	<b>0%</b>	62%	<b>29%</b>

*\*Demographic Data Source: Dun & Bradstreet 2006*

### **Responses to Complaints**

Chino Commercial Bank, N.A. received no complaints about its performance under the Community Reinvestment Act during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.