



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 2, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Orange County Business Bank, National Association
Charter Number 24292**

**4675 MacArthur Court, Suite 100
Newport Beach, CA 92660**

**Comptroller of the Currency
Southern California South Field Office
1925 Palomar Oaks Way Suite 202
Carlsbad, CA 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.”

The major factors that support this rating include the following:

- Orange County Business Bank’s level of lending is reasonable given its size, the credit needs of the assessment area, and its comparison to peer bank averages.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The bank originated a majority of its loans both by number and by dollar volume within the assessment area.
- The pattern of lending to small businesses does not compare favorably to the demographics of the area. This is attributable to management's initial loan growth strategies during its early years of operation. However, management expects the level of lending to small businesses to increase over time as the bank continues to grow.
- There were no public complaints about the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Orange County Business Bank (OCBB) is a publicly held independent bank that opened for business on December 26, 2002. Currently, the bank has one office located in an upper-income census tract in Newport Beach, California. This is the bank’s first CRA performance evaluation since opening.

OCBB’s primary focus is lending to small- and medium-sized businesses. Loan products include lines of credit and Small Business Administration (SBA), construction, commercial real estate, business, and personal loans. Management assists customers seeking residential mortgage loans by referring requests to local lenders who offer that product. Deposit products include personal and business checking, money market and savings accounts, as well as individual retirements accounts and certificates of deposit.

Currently, the bank does not operate an automatic teller machine (ATM), but waives service charges for its customers who use the ATMs of other institutions. Alternate delivery systems include on-line banking, which is available to customers at no charge (except for bill payment service), courier deposit pick-up service, debit cards, telephone banking, and night drop services.

There are no legal, financial, regulatory, or other factors impeding the bank’s ability to meet the credit needs of its assessment area. As of December 31, 2004, the bank had assets of \$126 million, comprised of \$68 million in net loans, which represented 54% of total assets.

Table 1 shows the composition of the bank's loan portfolio by major product type as of December 31, 2004.

Table 1

LOAN PORTFOLIO COMPOSITION December 31, 2004	
Loan Type *	% of Portfolio
Commercial (Including Commercial RE)	94%
Residential-Secured	4%
Consumer (Non-Residential)	2%
Total:	100%

*Source: Consolidated Report of Condition and Income

DESCRIPTION OF ASSESSMENT AREA

OCBB'S assessment area meets the requirements of the regulation and it does not arbitrarily exclude low- or moderate-income geographies. The area consists of the entire County of Orange, which comprises the Santa Ana-Anaheim-Irvine Metropolitan Statistical Area. According to the 2000 U.S. Census, 4% of the area consists of low-income census tracts, 27% moderate-income, 33% middle-income, and 36% upper-income tracts. The Department of Housing and Urban Development reported 2004 median family income of \$75,000 in the area.

Banking competition in Orange County is strong, with numerous large, regional, and community banks and other financial service providers competing for loans and deposits. Large competitors in the area include Bank of America, Wells Fargo Bank, Union Bank of California, Citibank, Washington Mutual Bank, and California Bank and Trust. Often such large institutions have the advantages of brand recognition and stronger marketing resources over smaller local institutions. Smaller banks competing with OCBB in the area include CommerceWest National Bank, Premier Commercial Bank, Commerce National Bank, and Pacific Liberty Bank.

Orange County is a culturally and economically diverse area that encompasses 34 cities and a number of unincorporated areas. It covers 798 square miles, including 42 miles of coastline and nine beaches. According to the 2000 U.S. Census, the estimated population of the assessment area is 2.8 million. The Los Angeles County Economic Development Corporation (LAECD) provides a more recent population estimate of 3.1 million as of July 2003.

The area economy is robust with an unemployment rate well below that of neighboring Los Angeles County, the State of California, and the nation. The Bureau of Labor Statistics reported a seasonally adjusted unemployment rate for Orange County of 3.4% compared to Los Angeles County at 6.6%, California at 6.4%, and the U.S. at 5.4%. By the end of 2005, the Orange County unemployment rate could improve to 3.0%.

Travel and tourism, a mainstay of the local economy, are benefiting from an expanding Asian economy and the weaker dollar, bringing business and leisure travelers from overseas. The 50th anniversary events at Anaheim-based Disneyland add further stimulus to this industry sector. The LAEDC ranks tourism as the largest industry employer with approximately 116,300

employees, followed by technology-related industries (computer and electronics manufacturing, aerospace products, computer system-design, etc.) with 89,500 employees, and wholesale trade with 79,500 employees. Dun and Bradstreet data for 2004 reflect that businesses with sales of \$1 million or less represented 64% of total businesses.

The Chapman University 2005 Economic Forecast for Orange County reflects job growth of 1.7% or the creation of 23,700 jobs with strong growth in biotechnology, leisure and hospitality, construction, and retail trade. Growth in aerospace should continue with the caveat that the Department of Defense may consider some spending cutbacks.

The strong and growing economy in Orange County is contributing to over-population. Housing shortages are an increasing problem, especially affordable housing. New home building could slip by 5.6% over the next year despite job and population growth, keeping upward pressure on housing prices. The 2000 U.S. Census reflects a median housing price of \$275,476 in Orange County with 59% of the housing units owner-occupied.

Community organizations contacted by bank regulators during the evaluation period identified affordable housing and small business lending as primary needs in the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

OCBB's level of lending is reasonable given its size, the credit needs of the assessment area, and its comparison to peer bank averages. The bank's loan-to-deposit ratio meets the standard for satisfactory performance.

We analyzed the average quarterly loan-to-deposit ratio for the eight quarters after the bank opened through December 2004. During this period, the bank's ratio averaged 60%. We compared the ratio with that of peer banks in Orange County that have similar demographics, asset size, and lending products. The peer group consisted of seven financial institutions, ranging in total asset size from \$120 million to \$167 million. The average quarterly loan-to-deposit ratio for the peer group was 69% compared to 60% for OCBB. While the bank's average ratio is somewhat less than the peer average, the bank's ratio increased from 49% as of March 2003 to 89% as of December 2004.

LENDING IN ASSESSMENT AREA

The bank originated a majority of its loans within its assessment area and the bank meets the standard for satisfactory performance.

For this analysis, we used bank-compiled loan data, which we tested for accuracy. Data included all loan originations and purchases from the date the bank opened through March 2005. In order to meet the standard of performance for this criterion, a bank needs to originate at least 50% of the number of loans and 50% of the dollar volume within its defined assessment area. We found

that OCBB originated 73% of the number of loans and 60% of the dollar volume within its assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

OCBB’s pattern of lending to businesses of different sizes within the assessment area does not compare similarly to area demographics and does not meet the standard for satisfactory performance.

For this analysis, we used bank-compiled data, which we tested for accuracy. We focused on commercial loans, which is the bank’s major loan product. The data included commercial loans originated from January 2003 through March 2005. We compared the bank’s lending to small businesses with the area demographics. The definition for a small business is a business with gross annual revenues of \$1 million or less. We combined the loan data from the evaluation period to evaluate the bank’s lending to businesses with revenues of different sizes as demographic data showed no measurable differences between the comparison years of 2003 and 2004.

We found that OCBB’s percentage of loans to small businesses, both by number and by dollar volume, is considerably lower than the percentage of small businesses in the assessment area. Management explained that the bank does not discourage relationships with smaller companies. Rather, the bank has successfully grown the loan portfolio during its early years of operation primarily from lending relationships OCBB officers brought to the bank from employment at other financial institutions and from subsequent referrals. These were in large part businesses with substantial annual revenues. Management expects to increase its lending to small businesses over time and as the bank grows. Table 2 displays the bank’s lending patterns based on our analysis of commercial loan data.

Table 2

Income Distribution of Business Loans Orange County Assessment Area (AA) January 2003 through March 2005		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	64%	7%
% of Bank Loans in AA by #	31%	69%
% of Bank Loans in AA by \$	28%	72%

**Demographic Data Source: 2004 Dun & Bradstreet – (29% of AA businesses did not report revenue data)*

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects good dispersion throughout the assessment area and it exceeds the standard for satisfactory performance.

For this analysis, we used the bank-compiled business loan data described above, which we tested for accuracy. The assessment area has 21 low-income tracts and 155 moderate-income

tracts. The bank's distribution of lending exceeds the demographics in low-income tracts and the distribution well exceeds the demographics in moderate-income tracts. Table 3 compares the percentage of the bank's number of loans to businesses with the percentage of businesses in the area by census tract type.

Table 3

Geographic Distribution of Business Loans Orange County Assessment Area (AA) January 2003 through March 2005								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Number of Business Loans	% of AA Businesses						
	4%	3%	37%	28%	42%	36%	16%	32%

Demographic Data Source: Dun & Bradstreet Business Data, 2000 U.S. Census Tract Data

RESPONSES TO COMPLAINTS

The bank has not received any written complaints associated with its performance under the provisions of the Community Reinvestment Act during the evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of illegal discrimination or other illegal credit practices.