



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**INLAND EMPIRE NATIONAL BANK
Charter Number 18242**

**3727 Arlington Avenue
Riverside, California 92506**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, 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 **Inland Empire National Bank**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 10, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

Inland Empire National Bank demonstrates commitment to serving the communities in which it operates.

- The loan-to-deposit ratio is comparable with similar banks in Southern California.
- The majority of loan originations are within the bank’s assessment areas.
- The bank lends to businesses of different sizes.
- Lending is reasonably distributed in the assessment areas.

DESCRIPTION OF INSTITUTION:

Inland Empire National Bank is a full-service commercial bank with its main office and one other branch in the City of Riverside (in Riverside County), California. A third branch is in the City of Fallbrook (in San Diego County), California. There is an automatic teller machine at one Riverside office and one at the Fallbrook office. The bank is wholly-owned by Duke Financial Group, Incorporated, a multi-bank holding company with assets of \$272 million as of September 30, 1997.

There are no financial or legal impediments that hinder the bank's ability to meet the credit needs of its community. As of September 30, 1997, the bank reported total assets of \$63 million centered in loans. The following chart reflects the bank's loan portfolio by major product type.

**Loans Outstanding by Major Product Type
As of September 30, 1997**

Loan Type	\$ Volume	% Loans by \$
Real Estate and Construction	27,677,870	68%
Commercial Loans	10,348,383	26%
Installment/Consumer Loans	2,423,376	6%
Total	40,449,629	100%

The last CRA performance evaluation was in September 1995.

DESCRIPTION OF INLAND EMPIRE NATIONAL BANK'S ASSESSMENT AREA:

Inland Empire National Bank has two assessment areas: The City of Riverside and the City of Fallbrook. The *Riverside Assessment Area*, comprising 28 census tracts, is in the Riverside-San Bernardino Metropolitan Statistical Area (MSA). The *Fallbrook Assessment Area*, comprising five census tracts, is in the San Diego MSA. The two assessment areas comply with regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. A description of each area follows.

**Riverside Assessment Area
Composition by Income Level of Census Tracts**

Census Tract Type	# Tracts	% Tracts by #
Low Income	1	4%
Moderate Income	6	21%
Middle Income	16	57%
Upper Income	5	18%
Total	28	100%

The population of Riverside is approximately 224,100. Median family income is \$37,274, and median housing value is \$138,059 based on 1990 U.S. Census data. The local economy is centered in services, trade, manufacturing, real estate development and government. Most sectors are showing positive trends following a prolonged recovery from the recession. Recent 1997 economic reports show improvement over the previous year in retail sales and unemployment levels. Retail sales increased by 8% for the first quarter to \$5.3 billion from \$4.9 billion for the same period last year. Area unemployment dropped to 7.6% in September versus 8.3% the same month the previous year.

**Fallbrook Assessment Area
Composition by Income Level of Census Tracts**

Census Tract Type	# Tracts	% Tracts by #
Low Income	0	0%
Moderate Income	1	20%
Middle Income	3	60%
Upper Income	1	20%
Total	5	100%

The population of Fallbrook is approximately 33,600. Median family income is \$39,798, and median housing value is \$225,581 based on 1990 U.S. Census data. Fallbrook is primarily a middle-income residential and retirement area. The local economy consists mainly of small businesses that service the community and small agricultural concerns. Unemployment in San Diego County as a whole dropped to 4.5% during September 1997 versus 5.4% for the same month the previous year, reflecting the overall improving economy in Southern California.

Many banks and financial institutions serve both assessment areas, resulting in strong competition for market share. We contacted three community development organizations and determined that there is a growing need for small loans for businesses in both assessment areas. In Riverside, there is a specific need for small business loans with flexible underwriting criteria.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank’s commitment to the Community Reinvestment Act is reflected in the performance criteria explained below.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is reasonable. The average loan-to-deposit ratio since the last CRA examination is 67%. The trend is favorable as the ratio increased from 64% in September 1996 to 70% in September 1997. This performance is comparable with other local financial institutions with total assets of less than \$100 million. Their ratios averaged 77%, but the trend is down. The ratio declined from a high of 83% in September 1996 to 74% in September 1997.

Lending In Assessment Areas

The bank originated a majority of the number and dollar volume of its loans within the assessment areas. We prepared the following analysis based on the bank’s data, which we tested for accuracy.

**Lending Inside and Outside the Riverside and Fallbrook Assessment Areas
Loan Originations from January 1996 to September 1997**

	# Loans	% Loans by #	\$ Loans	% Loans by \$
In Assessment Areas	238	65%	27,437,602	55%
Out Of Area	129	35%	22,052,086	45%
Total	367	100%	49,489,688	100%

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank is primarily a business lender. Loans to businesses are a substantial majority of the loan portfolio. Therefore, we sampled business loans to ensure the bank is lending to businesses of different sizes. We did not sample consumer loans because they are not a significant portion of loan originations.

Lending to businesses of different sizes in both assessment areas is reasonable. This is reflected in the three charts that follow. Within the context of the area descriptions outlined above, the bank's opportunities for business lending are centered mainly in the Riverside Assessment Area. We randomly sampled 25 business loans (22 loans in the Riverside Area and three loans in the Fallbrook Area) originated between January 1996 and September 1997.

Lending to Businesses of Different Sizes in the Riverside Assessment Area Sample of Loan Originations from January 1996 to September 1997

	# Business Loans	% Total (#)	\$ Business Loans	% Total (\$)
Loans to Small Businesses (Revenue < \$1 Million)	10	45%	517,956	28%
Loans to Large Businesses (Revenue >\$1 Million)	12	55%	1,316,000	72%
Total Business Loans	22	100%	1,833,956	100%

Lending to Businesses of Different Sizes in the Fallbrook Assessment Area Sample of Loan Originations from January 1996 to September 1997

	# Business Loans	% Total (#)	\$ Business Loans	% Total (\$)
Loans to Small Businesses (Revenue < \$1 Million)	2	67%	60,000	6%
Loans to Large Businesses (Revenue >\$1 Million)	1	33%	900,000	94%
Total Business Loans	3	100%	960,000	100%

[Note: The percent of loans by dollar amount to "large businesses" is skewed upward by the one large loan included in the sample.]

**Distribution of Business Lending by Loan Size
Riverside and Fallbrook Areas Combined
Sample of Loan Originations from January 1996 to September 1997**

Business Loan Originations	# Business Loans	% Business Loans (#)	# Loans Business Revenues < \$1,000,000	% Loans Business Revenues < \$1,000,000
\$0 - \$100,000	19	76%	11	92%
\$100,001 - 250,000	4	16%	1	8%
\$250,001 - \$500,000	1	4%	0	0%
\$500,001 +	1	4%	0	0%
Total	25	100%	12	100%

The bank's investment in a local community development corporation (CDC) enhances its record of business lending in the community. The CDC pools and provides loan funds, using flexible underwriting criteria, to help meet the credit needs of area small businesses. Bank senior management helped organize the CDC at its inception and provides active support by serving on the Board of Directors and loan committees. The bank invested \$5,000 in initial capital during 1996 and contributed \$15,000 to the loan pool during 1997.

Geographic Distribution of Loans

The bank's lending is reasonably distributed in the assessment areas. Lending activity in different income-level census tracts is comparable to demographic information. We used the bank's internal analysis, which we tested for accuracy. The charts that follow compare the bank's loan originations during 1996 with the percent of various income-level census tracts that comprise each assessment area.

Lending in Riverside Assessment Area - By Census Tract Type

Census Tract Income Type	% of Assessment Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts (\$)	% of Loans (\$)
Low	3%	-0-	-0-	-0-	-0-
Moderate	21%	25	21%	1,246,217	13%
Middle	58%	46	39%	5,211,362	53%
Upper	18%	47	40%	3,298,849	34%
TOTALS	100%	118	100%	9,756,428	100%

[Note: The one low-income census tract in the area is where the University of California at Riverside is located.]

Lending in Fallbrook Assessment Area - By Census Tract Type

Census Tract Income Type	% of Assessment Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts (\$)	% of Loans (\$)
Low	-0-	-0-	-0-	-0-	-0-
Moderate	20%	3	19%	1,400,000	80%
Middle	60%	10	62%	311,000	18%
Upper	20%	3	19%	46,200	2%
TOTALS	100%	16	100%	1,757,200	100%

Responses to Complaints

The bank has received no CRA-related complaints since the last CRA performance evaluation.

Fair Lending Analysis

The bank complies with fair lending laws and regulations. Our fair lending review, conducted along with this CRA examination, found no unusual patterns or discriminatory lending practices.