



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 22, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Whittier, National Association
Charter Number 17548**

**15141 East Whittier Boulevard
Whittier, CA 90603**

**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**”.

- The loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and Assessment Area (AA) credit needs.
- Lending in the AA exceeds the standards for satisfactory performance. The bank originated or purchased a substantial majority of its loans within its defined CRA market area.
- Lending patterns reflect excellent penetration among businesses of different sizes, especially small businesses.
- The geographic distribution of business loans reflects adequate dispersion in the Los Angeles defined area, but needs to improve in the Orange County defined area. The bank’s small size and resources reasonably explain geographic lending patterns to date.

DESCRIPTION OF INSTITUTION

Bank of Whittier (BofW) is a one-office commercial bank located in Whittier, California. There is an automatic teller machine at this location. The bank is wholly owned by Greater Pacific Bancshares, a privately owned one-bank holding company also headquartered in Whittier. Following a period during 2002 and 2003 where little lending activity occurred, the bank has experienced steady loan growth in 2004 and 2005. This improving trend resulted from management’s concerted efforts to grow the bank and increase profitability. Their business strategy focuses on providing traditional commercial banking products and services to small businesses and professionals.

There are currently no legal or financial impediments that hinder the bank’s ability to meet the credit needs of its community. As of March 31, 2006, BofW reported total assets of \$32.3 million, net loans of \$16.6 million, and total deposits of \$28.3 million. Net loans represented 51% of total assets.

The loan portfolio composition as of March 31, 2006, shows the bank is primarily a commercial lender with 80% of the portfolio comprised of commercial loans, including business loans, and commercial real estate and construction loans. The following table reflects portfolio composition by major product type.

<p style="text-align: center;">LOAN PORTFOLIO COMPOSITION As of March 31, 2006</p>		
Loan Type	\$ Volume (000)	% of Portfolio
Commercial Real Estate and Construction	\$5,412	32%
Commercial	\$8,070	48%
Residential Real Estate-Secured	\$2,888	17%
Consumer	\$549	3%
Total:	\$16,919	100%

Source: March 31, 2006 Call Report of Condition and Income

The last CRA examination conducted as of May 5, 2003, rated the bank's performance as "Needs to Improve." The rating primarily reflected the low level of lending activity during that evaluation period.

DESCRIPTION OF THE ASSESSMENT AREA

The AA delineation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The bank currently defines its AA as the "greater Whittier area," consisting of the surrounding census tracts within a 30-mile radius of its office. The AA includes most of the two adjacent metropolitan statistical areas (MSA); the Los Angeles-Long Beach MSA 4480 and the Orange County MSA 5945. The Los Angeles defined area consists of 1,672 contiguous census tracts. The Orange County defined area consists of 496 adjacent and contiguous census tracts. The bank is located in an upper-income census tract, and it is surrounded primarily by middle- and upper-income census tracts.

The city of Whittier is a well-established area of metropolitan Los Angeles near the border of Los Angeles and Orange counties. Whittier has been undergoing revitalization to encourage future development in the community. Projects completed include the Whittier Commercial Corridor to redevelop Whittier Boulevard into segmented shopping, retail, office, and residential districts.

The total population in the Los Angeles delineated area was approximately 7,806,191 according to the 2000 United States Census. Median housing value for the area in 2000 was \$240,248 with 46% of total housing units owner-occupied. The 2000 Census data reports median family income of \$46,509. The HUD adjusted median family income for 2005 was \$54,450. Dun & Bradstreet 2005 economic data reflected that small businesses with annual revenues of less than \$1,000,000 represented 62% of the number of businesses in the area.

Total population of the Orange County area was approximately 2,452,732 according to the 2000 census. Median housing value for the area in 2000 was \$275,476 with 59% of total housing units owner-occupied. The 2000 Census data reported median family income of \$64,321. The HUD adjusted median family income for 2005 was \$75,700. Dun & Bradstreet 2005 economic data reflected that small businesses with annual revenues of less than \$1,000,000 represented

63% of all businesses in the area.

The Los Angeles Economic Development Corporation (LAEDC) reported an unemployment rate of 5.4% for Los Angeles County at year-end 2005. Los Angeles County has a diverse economic base with major employers including government, health services, entertainment, leisure and hospitality, and financial services. The outlook for 2006 is for modest growth, mainly in leisure and hospitality, construction, and professional and business services. Concerns exist over the impact that extremely low industrial vacancy rates may have on growth, lack of affordable housing, and downsizing from retail mergers/acquisitions.

The LAEDC reported an unemployment rate of 3.8% for Orange County at year-end 2005. Major employers in Orange County are government, manufacturing, retail trade, financial services, health care services, and leisure and hospitality. The outlook for 2006 is for continued steady growth with the strongest gains coming from construction and professional/technical services. Concerns exist over the high cost of doing business in the area, exposure to sub-prime lending, and anticipated layoffs as the real estate market cools.

[Sources of economic data: Los Angeles Economic Development Corporation, *2006-2007 Economic Forecast and Industry Outlook*; City of Whittier, *Economic Outlook*.]

The bank faces strong competition from other financial institutions within its AA. These include much larger institutions such as Bank of America, Wells Fargo Bank, Union Bank of California, and Washington Mutual Bank, in addition to regional banks such as Pacific Western National Bank.

We contacted three community organizations in Los Angeles and Orange counties. These organizations focus on meeting the needs of low- and moderate-income communities in these counties and throughout the state. Small business loans and affordable housing continue to be identified credit needs in both counties.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We evaluated the bank's performance since its last CRA examination, from January 2004 through March 2006.

Loan-to-Deposit Ratio

The bank's LTD ratio meets the standards for satisfactory performance. The average LTD ratio for the thirteen quarters since the last CRA evaluation was 43%. The ratio has steadily increased from 27% at March 2003 to 59% at March 2006. The average LTD ratio for the seven most similarly situated financial institutions was 65%, ranging from 60% to 70%. For the purposes of this examination, similarly situated banks are banks of similar asset size located in Los Angeles and Orange counties.

Lending in Assessment Area

BofW's lending in the AA exceeds the standards for satisfactory performance. We randomly sampled twenty loans the bank originated or purchased during the evaluation period. We found a substantial majority, 80 percent of the loans by number and 83% by dollar amount, were within the AA. Refer to the table below for details.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Sample loans	16	80%	4	20%	20	\$4,377	83%	\$898	17%	\$5,275

Source: Sample of loans originated or purchased during January 2004-March 2006.

Lending to Businesses of Different Sizes and Borrowers of Different Incomes

The distribution of loans reflects excellent penetration among businesses of different sizes. We sampled twenty commercial loans originated or purchased within the Los Angeles AA and all eight loans originated or purchased within the Orange County AA during the evaluation period. We analyzed commercial loans because they represent the majority of loans the bank originated or purchased since the last CRA examination.

The distribution of business loans reflects a very high level of lending to small businesses, which is an identified credit need in the AA. In the Los Angeles defined area, the percentage of loans (by number) granted to small businesses (those with revenues of less than \$1 million) was 65% (by number) and 72% (by dollar) based on the sample. This compares well to area demographics, which shows that 62% of businesses in the AA are small businesses.

In the Orange County defined area, all loans originated or purchased during the period were granted to small businesses (those with revenues of less than \$1 million). This substantially exceeds the percentage of small businesses in the AA of 63%. Refer to the following tables for specific information.

Table 2A – Borrower Distribution of Loans to Businesses in the Los Angeles AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	62%	6%
% of Bank Loans in AA by #	65%	35%
% of Bank Loans in AA by \$	72%	28%

* Demographic Data Source: 2005 Dun and Bradstreet; 32% of AA businesses did not report revenue data.

Table 2A – Borrower Distribution of Loans to Businesses in the Orange County AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	63%	7%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

* Demographic Data Source: 2005 Dun and Bradstreet; 30% of AA businesses did not report revenue data.

Geographic Distribution of Loans

Lending patterns reflect adequate distribution of loans in the Los Angeles area when compared to area demographics. The distribution of loans in the Orange County area does not compare well with area demographics. In the Los Angeles defined area, the percentage of business loans (by number) originated or purchased in moderate-income census tracts exceeds the percentage of businesses in these areas. Business loans in moderate-income census tracts represented 35% of the number of loans the bank originated or purchased, compared to 22% of businesses situated in moderate-income census tracts. Based on our sample, the bank did not originate or purchase business loans in low-income census tracts.

In the Orange County defined area, our sample found there were no loans originated or purchased in low- or moderate-income census tracts. This compares unfavorably to area demographics, which show 4% of businesses in low-income census tracts and 32% of businesses in moderate-income tracts.

Management explained that they have focused on increasing lending activity throughout the entire AA. The bank places strong emphasis on lending to creditworthy borrowers, but lending opportunities in low- and moderate-income census tracts have been limited to date despite management’s ongoing efforts. Given the bank’s small size and resources, we consider overall geographic distribution of loans to be reasonably explained. Refer to the following tables for specific information.

Table 3A – Geographic Distribution of Loans to Businesses in the Los Angeles Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial loans	9%	0%	22%	35%	26%	20%	42%	45%

Source: 2005Dun and Bradstreet and samples of business loans.

Table 3B - Geographic Distribution of Loans to Businesses in the Orange County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial loans	4%	0%	32%	0%	37%	25%	26%	75%

Source: 2005Dun and Bradstreet and samples of business and consumer loans.

Responses to Complaints

The bank has not received any written complaints relating to its performance under the Community Reinvestment Act.

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.