



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 5, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**15141 East Whittier Boulevard
Whittier, California 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.

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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 an 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 Community Reinvestment Act (CRA) performance of **Bank of Whittier, N. A.**, as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 31, 2002. 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 "Needs to Improve."

The primary factors supporting this rating are:

- ❑ The loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and assessment area credit needs.
- ❑ The bank did not grant a majority of the number or dollar volume of its loans within the defined assessment area during the evaluation period.

These factors reflect that the bank has not adequately applied its resources to meet requirements of the Community Reinvestment Act. Given these factors, analysis of other performance criteria (borrower and geographic distributions) does not provide for meaningful support of the bank's record of meeting area credit needs. The Board of Directors has expressed willingness to increase lending volume and the pattern of lending in the assessment area, but efforts have proven unsuccessful over time.

DESCRIPTION OF INSTITUTION

The Bank of Whittier is a commercial bank with one office in Whittier, California. There is an automatic teller machine at this location. The bank is wholly owned by Greater Pacific Bancshares, a Whittier-based one-bank holding company. New owners purchased the holding company in 1998, which was accompanied by a change in the composition of the bank's Board of Directors.

There were no financial or legal impediments that hindered the bank's ability to meet the credit needs of its community during the evaluation period. As of December 2002, the bank reported total assets of \$37 million, net loans of \$11 million (30% of total assets), and total deposits of \$34 million. However, the bank experienced a substantial decline in loan volume in 2002, which resulted in a net loss of \$56,000 for the year.

The current loan portfolio is largely centered in commercial real estate given the large dollar amounts for these types of loans. Business and consumer loans represented the greatest number of loans granted since the last CRA examination, and have been the bank's historical strategic lending focus. The following table reflects the current loan portfolio by major product type.

TOTAL LOANS OUTSTANDING BY MAJOR PRODUCT TYPE AS OF DECEMBER 31, 2002

Loan Product	Amount Outstanding (000's)	Percent (%) of Total Loans
Commercial Real Estate/ Construction Loans	\$7,818	68%
Business Loans (Including SBA)	\$1,898	16%
Consumer Loans	\$1,839	16%
Total Loans	\$11,555	100%

The last CRA examination conducted as of June 30, 1997 rated the bank as "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA

The bank currently defines its assessment area as the "greater Whittier area," consisting of the surrounding census tracts within a five-mile radius of its office. This includes portions of two adjacent metropolitan statistical areas (MSA): Los Angeles-Long Beach MSA 4480 and Orange County MSA 5945. The Los Angeles defined area consists of 56 contiguous census tracts. The Orange County defined area consists of 20 adjacent and contiguous census tracts. The area delineation complies with regulatory requirements and it does not arbitrarily exclude low- or moderate-income geographies.

The total population in the Los Angeles delineated area was approximately 287,886 according to the 1990 United States Census (the 2000 census data were not available for analysis at the time of this evaluation). Median housing value in the area was \$223,760 with 67% of total housing units owner occupied. Dun & Bradstreet 2002 economic data reflect that small businesses with annual revenue of less than \$500,000 represent the majority of the number of businesses in the area.

The California Employment Development Department (CAEDD) recorded an unemployment rate of 6.1% in Los Angeles County as of December 2002. The County has a diverse economic base with major employers including government, health services, tourism and entertainment, finance and business services, retail and wholesale distribution, and electronics and apparel manufacturing. The County experienced a modest recession in 2001-2002 and was adversely affected by a slowdown in international trade and area tourism following the September 11 terrorist attacks. Modest growth is expected in 2003, mainly from aerospace/defense spending, increased tourism, and the resolution of port labor disputes.

The CAEDD recorded an unemployment rate of 3.9% in Orange County as of December 2002. Major employers are centered in services, trade, manufacturing, tourism and amusement. Orange County's employment has fared better than Los Angeles, the State of California, and the national rates over recent years, although the County also experienced a general slowing in 2002. The outlook for 2003 is positive with increased growth in tourism, apparel production, and aerospace/defense spending.

Locally, the City of Whittier is a well-established area, much of which consists of middle- and upper-income residential areas. But the City is also undergoing significant commercial and residential redevelopment. Projects include the historic Uptown area along Greenleaf Avenue, as well as the 480-acre economic redevelopment project along Whittier Boulevard called the "Whittier Commercial Corridor." [Sources of economic data: Los Angeles County Economic Development Corporation, *2003-2004 Economic Forecast and Industry Outlook*; County of Orange, *2003 Community Indicators Report*; City of Whittier, *Economic Outlook*.]

The following table reflects the bank's defined area in the Los Angeles MSA showing census tracts by income category according to the 1990 Census.

**LOS ANGELES ASSESSMENT AREA
CENSUS TRACT COMPOSITION**

Census Tract Income Category	Number of Tracts In Area	Percent of Area by Tract Type	1990 Households	Percent of Population within Tract Category
Low Income Tracts	1	2%	15	<1%
Moderate Income Tracts	3	5%	20,930	7%
Middle Income Tracts	24	43%	127,133	44%
Upper Income Tracts	28	50%	139,808	49%
Total	56	100%	287,886	100%

The 1990 Census median family income in the area was \$39,035. The Department of Housing and Urban Development (HUD) updated the median family income in 2002 to \$55,100. The following table reflects family distribution by income level according to the 1990 Census.

**LOS ANGELES ASSESSMENT AREA
FAMILY DISTRIBUTION**

Family Income Level	Number of Families by Income Level	Percent of Families in Area
Low Income Families	9,566	13%
Moderate Income Families	10,335	14%
Middle Income Families	16,394	23%
Upper Income Families	36,200	50%
Total	72,495	100%

The total population in the Orange County delineated area was approximately 97,501 according to the 1990 United States Census (the 2000 census data were not available for analysis at the time of this evaluation). Median housing value in the area was \$241,914. The following table reflects the bank's Orange County area census tracts by income category according to the 1990 Census.

**ORANGE COUNTY ASSESSMENT AREA
CENSUS TRACT COMPOSITION**

Census Tract Income Category	Number of Tracts In Area	Percent of Area by Tract Type	1990 Households	Percent of Population within Tract Category
Low Income Tracts	0	0	0	0
Moderate Income Tracts	6	30%	27,431	28%
Middle Income Tracts	9	45%	41,612	43%
Upper Income Tracts	5	25%	28,458	29%
Total	20	100%	97,501	100%

The 1990 Census median family income in the area was \$51,269. The Department of Housing and Urban Development (HUD) updated the median family income in 2002 to \$75,600. The following table reflects family distribution by income level according to the 1990 Census.

**ORANGE COUNTY ASSESSMENT AREA
FAMILY DISTRIBUTION**

Family Income Level	Number of Families by Income Level	Percent of Families in Area
Low Income Families	4,430	17%
Moderate Income Families	4,786	18%
Middle Income Families	6,884	27%
Upper Income Families	9,763	38%

Total	25,863	100%
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Numerous banks and financial institutions serve the local area resulting in strong competition. These mainly include branches of large and mid-sized commercial banks including Wells Fargo and Union Bank of California, in addition to savings banks such as Quaker Savings. There are also an increasing number of community banks in Orange County competing for market share.

We contacted a redevelopment agency and an economic development corporation that serve the Los Angeles area. We also contacted a small business development corporation that serves a number of Southern California areas including Orange County, San-Bernardino Riverside, and San Diego. The agencies reported several ongoing credit needs including small loans (especially micro-loans) for small businesses, affordable housing, and training on obtaining credit. One agency reported a special need for subordinate-equity loans for small businesses that would not otherwise qualify under the Small Business Administration 504 loan program.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

To evaluate the bank's performance under the Community Reinvestment Act, we reviewed loan information from July 1997 through December 2002 as described below.

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is less than reasonable. We evaluated the quarterly average loan-to-deposit ratio over the 22 quarters since the last CRA examination. The bank's average ratio is 45.87%. This compares unfavorably with the 55.01% average ratio of similarly situated banks (banks with similar asset size and headquartered in the Los Angeles MSA). In addition, the bank's ratio declined substantially from 50% in June 2002 to 33% in December 2002. The low and declining loan-to-deposit ratio reflects that the bank is not satisfactorily investing its resources in granting loans..

LENDING IN ASSESSMENT AREA

The bank has not granted a majority of the number and dollar volume of its loans within its defined area. For our analysis, we reviewed business and consumer loans since they each represented the greatest number of loans originated or purchased since the last CRA examination.

We reviewed 100% of business and consumer loans for the last three years of the evaluation period (2000 through 2002). We also included all business and consumer loans originated in the latter half of years 1998 and 1999 to test lending patterns during the earliest years of the evaluation period. Of the 82 total loans we reviewed, the bank granted a marginal 50% of the number of loans and only 37% of the dollar volume within its defined area. The following table reflects the number and dollar volume of loans the bank originated or purchased inside and outside the assessment area.

LENDING WITHIN THE ASSESSMENT AREA
Business and Consumer Loans
July 1997 through December 2002

	Number of Loans	Percent of Total Number	Dollar Volume	Percent of Total Dollar Volume
Inside Area	41	50%	\$2,782,327	37%
Outside Area	41	50%	\$4,699,847	63%
Total Loans	82	100%	\$7,482,174	100%

The following performance criteria (borrower and geographic distributions) are considered when evaluating the pattern of lending within the assessment area. However, given this bank's low level of lending in the area, the analysis does not provide for meaningful support of its record of meeting area credit needs and is provided mainly for information purposes.

LENDING TO BUSINESSES OF DIFFERENT SIZES AND BORROWERS OF DIFFERENT INCOMES – BORROWER DISTRIBUTION

We analyzed business and consumer loans since they represented the greatest number of originations or purchases since the last CRA examination. Of the 41 loans extended within the assessment area during the evaluation period, we were able to verify income data for 14 business loans and 14 consumer loans in the Los Angeles area. (We did not analyze the Orange County area because there were only a few loans granted in that area during the evaluation period.)

Results reflected that the bank granted 50% of the number and dollar volume of loans to small businesses (with revenue of \$1 million or less) compared to the number of small businesses in the defined area, which represent 87% of total area businesses. The following table indicates the bank's record of lending to businesses of different sizes.

LENDING TO BUSINESSES OF DIFFERENT SIZES
DISTRIBUTION BY BUSINESS SIZE
July 1997 through December 2002

Business Revenues	Percent of Businesses in Area*	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
< \$1 Million	87%	7	50%	\$609,000	50%
> \$1 Million	13%	7	50%	\$606,898	50%
Total	100%	14	100%	\$1,215,898	100%

*Source: 2002 Dun & Bradstreet data

As reflected in the following table, the bank granted no consumer loans to moderate-income borrowers. The substantial number and dollar volume of loans granted to upper-income individuals resulted from the bank's consumer focus on home equity credit lines. (Upper-income persons comprise the majority of the local population, and these borrowers more readily qualify for higher dollar-volume credit lines.) The following table indicates the bank's record of

consumer lending to borrowers of different income levels.

**BORROWER DISTRIBUTION OF CONSUMER LOANS
July 1997 through December 2002**

Borrower Income Level	Percent of Area Households In Income Level*	Number of Loans to Consumers in Income Level	Percent of Number of Loans to Consumers in Income Level	Dollar Amount of Loans to Consumers in Income Level	Percent of Dollar Amount of loans to Consumers in Income Level
Low	16%	2	14%	\$36,251	4%
Moderate	13%	0	0	0	0
Middle	20%	0	0	0	0
Upper	51%	12	86%	\$972,145	96%
Total	100%	14	100%	\$1,008,396	100%

*Source: U.S. Census data

GEOGRAPHIC DISTRIBUTION OF LOANS

We analyzed business and consumer loans since they represented the greatest number of originations or purchases since the last CRA examination. Of the 41 loans granted within the assessment area, we were able to verify census tract data for 19 business loans and 19 consumer loans in the Los Angeles area. (We did not analyze loans in the Orange County census tracts, because there were only a few loans granted in that area during the evaluation period.)

There were no business or consumer loans granted in the one low-income census tract, although lending in moderate-income tracts reasonably reflected area demographics. The following tables reflect the bank's geographic distribution of business and consumer lending.

**GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS
July 1997 through December 2002**

Tract Income Level	Number of Businesses in Area*		Number of Loans Originated in Area		Dollar Volume of Loans Originated in Area	
	Number of Businesses	Percent of Businesses	Number of Loans	Percent of Number	Dollar Volume	Percent of Dollar Volume
Low	1,115	9%	0	0%	0	0
Moderate	1,195	9%	4	21%	\$191,898	12%
Middle	5,556	43%	5	26%	\$470,489	28%
Upper	4,984	39%	10	53%	\$999,000	60%
Total	12,850	100%	19	100%	\$1,661,387	100%

*Source: 2002 Dun & Bradstreet data

**GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS
July 1997 through December 2002**

Tract Income Category	Percent of Area Households in Tract Income Category*	Number of Loans in Tract Income Category	Percent of Number of Loans in Tract Income Category	Dollar Amount of Loans in Tract Income Category	Percent of Dollar Amount in Tract Income Category
Low	<0.001%	0	0	0	0
Moderate	8%	2	10%	\$48,000	5%
Middle	41%	3	16%	\$61,251	6%
Upper	51%	14	74%	\$899,145	89%
Total	100%	19	100%	\$1,008,396	100%

*Source: U.S. Census data

RESPONSES TO COMPLAINTS

The Bank of Whittier has received no complaints about its performance under the Community Reinvestment Act during this evaluation period.

RECORD OF COMPLIANCE WITH FAIR LENDING LAWS

We performed an analysis of public comments and consumer complaint information according to the OCC's risk-based approach to fair lending. Based on analysis of the information, the OCC determined that a comprehensive fair lending examination would not be required in connection with the CRA evaluation this year.