



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 5, 2003

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.

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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 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 **Chino Commercial Bank N.A.**, prepared by **The Office of the Comptroller of the Currency**, 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 C.F.R. Part 25.*

INSTITUTION'S CRA RATING

This institution is rated “Satisfactory.”

The primary factors supporting this rating are:

- The average loan-to-deposit ratio is reasonable considering this is a newly formed institution.
- A majority of loans originated or purchased since the bank opened are within the bank's assessment area.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area.
- Lending to businesses of different sizes is reasonable for a new bank. Lending patterns do not closely compare to the Dun & Bradstreet area demographics, but the distribution is expected since the bank has been open just less than three years. Management expects that as the bank grows over time its lending patterns will be more consistent with the business demographics of the assessment area.
- There have been no public complaints about the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Chino Commercial Bank is an independently owned community bank located in Chino, California. It is a one-office full-service bank that offers loans, deposit accounts, and other traditional banking services. The bank has an automated teller machine on premises at that office location. This represents the bank's first CRA performance evaluation since it opened in September 2000.

There are no financial or legal impediments that hinder the bank's ability to meet the credit needs of the communities it serves. As of December 31, 2002, total bank assets were \$42 million, 52 percent of which consisted of net loans. Deposits totaled \$36 million. The primary business focus is meeting the financial needs of consumers and small businesses located in the Inland Empire region of Southern California. The bank offers a full line of consumer, commercial, and real estate loans. The loan portfolio is currently centered in commercial and construction loans.

Table 1 shows the composition of the bank's loan portfolio as of December 31, 2002.

Table 1

LOAN PORTFOLIO COMPOSITION DECEMBER 31, 2002*		
Loan Type	\$ Volume (000)	% of Portfolio
Commercial Real Estate and Construction	12,981	58%
Commercial	5,500	25%
1-4 Family Residential	2,880	13%
Consumer	623	3%
Agriculture	104	1%
Total:	\$22,088	100%

*Source: 12/31/02 Call Report – Average Gross Loans

DESCRIPTION OF ASSESSMENT AREA

Chino Commercial Bank's assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The area consists of contiguous and adjacent portions of the Los Angeles/Long Beach Metropolitan Statistical Area (MSA) 4480 and the Riverside/San Bernardino MSA 6780. According to the 1990 United States Census, the defined area is comprised of a total of 151 census tracts with a total population of 1,206,157.

Competition among area financial institutions is strong. Several Inland Empire- and Los Angeles-based community banks, as well as numerous branches of mid-size and large commercial and savings banks, compete for market share. A description of the demographics for each of the two MSA portions that comprise the assessment area follows.

Los Angeles/Long Beach MSA 4480

A majority of the census tracts in this portion of the bank's assessment area are located in the East San Gabriel Valley region, northeast of the City of Los Angeles. The area consists of 78 census tracts with a total population of 479,063 according to the 1990 U.S. Census. (More recent

2000 Census data reflects a population of 528,114, representing a 10 percent increase from 1990 data.)

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. Median housing value was \$219,406, with 67 percent of all housing units owner-occupied according to the 1990 Census data.

Table 2 provides a breakdown of the Los Angeles/Long Beach area by income designation of geographies and families.

Table 2

ASSESSMENT AREA COMPOSITION LOS ANGELES/LONG BEACH MSA INCOME DISTRIBUTION OF CENSUS TRACTS & FAMILIES*				
Income Definition of Census Tracts	Number of Total Census Tracts	Percent of Total Census Tracts	Number of Total Families	Percent of Total Families
Low Income	1	1%	15,869	14%
Moderate Income	8	10%	15,394	13%
Middle Income	34	44%	23,090	20%
Upper Income	34	44%	62,028	53%
N/A	1	1%	0	0%
Total:	78	100%	116,381	100%

*Source: 1990 U.S. Census

According to the Employment Development Department (EDD) for the State of California, the annual average unemployment rate increased from 4.9 percent in 2000 to 5.3 percent in 2001. The EDD reported an unemployment rate of 6.1 percent for Los Angeles County as of December 2002.

According to San Gabriel Valley Economic Partnership, the wholesale sector is one of San Gabriel Valley's largest industry categories, representing over 12 percent of valley businesses. A San Gabriel Valley Foreign Trade Zone was established to make it easier and more cost effective for local businesses to participate in international trade. The San Gabriel Valley is growing as an international trade "hub" with approximately 80 percent of goods moving through the ports of Los Angeles and Long Beach, utilizing highway and rail infrastructure. Over 4,000 import/export businesses are located in the region. The large local Hispanic community has become a major target market for import and export opportunities, as Mexico has become California's largest trading partner.

Riverside/San Bernardino MSA 6780

The Riverside/San Bernardino portion of the assessment area consists of 73 census tracts situated at the western end of the MSA. The total population in this area was 727,094 according to the 1990 U.S. Census.

Central cities in the MSA include Riverside, San Bernardino, and Ontario. Riverside and San Bernardino counties comprise what is commonly known as the Inland Empire, one of the fastest growing metropolitan areas in the nation. EDD data reflect that the Inland Empire's population is increasing at a rate of close to 100,000 residents each year. In Riverside County, 2000 U.S. Census data records the population at 1.5 million, an increase of 32 percent over 1990 Census data. Riverside, the largest city, recorded a 12.7 percent increase in population, bringing its total to more than 255,000 residents. The City of Corona is the third largest in the county and experienced substantial growth between 1990 and 2000. The population increased from 76,100 in 1990 to 125,000 in 2000, an increase of 64.2 percent.

EDD 2001 data show the civilian labor force for Riverside to be 750,700 with an unemployment rate of 5.2 percent. This is slightly lower than the state's rate of 5.3 percent for the same year. The county unemployment rate as of December 2002 was 5.9 percent. The county's diverse economic base is lead by services, retail trade, and government. Services are the largest industry in the county, accounting for 26 percent of the total employment. Within the services industry, recent growth is concentrated in personal services, private educational services, and engineering and management services. Trade employment has been growing consistently since 1997 and currently accounts for over 24 percent of total jobs, with most of the employment in retail trade. Agriculture also continues to be a significant part of the county's economy.

The 2000 U.S. Census data records San Bernardino County's population at more than 1.7 million, an increase of 20.5 percent over 1990 Census data. The cities of Fontana, Highland, Rancho Cucamonga, and Rialto recorded the strongest growth of more than 25 percent on a combined basis. San Bernardino ranks as the fourth-highest populated county in California. Per EDD data, the county's unemployment rate of 4.8 percent in 2001 was lower than the state's rate of 5.3 percent for the same year. The county unemployment rate as of December 2002 was 5.4 percent.

San Bernardino's economy is lead by the services, government, retail trade, and manufacturing industries. Services are the largest industry in the county, accounting for almost 26 percent of employment. Recent growth in the services sector is concentrated in employment in veterinary, auto repair, legal and social services, among others. Agriculture also continues to be an important part of San Bernardino's economy as the county consistently ranks in the top 15 agricultural-producing counties in the state.

Table 3 provides a breakdown of the Riverside/San Bernardino area by income designation of geographies and families.

Table 3

ASSESSMENT AREA COMPOSITION RIVERSIDE/SAN BERNARDINO MSA INCOME DISTRIBUTION OF CENSUS TRACTS & FAMILIES*				
Income Definition of Census Tracts	Number of Total Census Tracts	Percent of Total Census Tracts	Number of Total Families	Percent of Total Families
Low Income	0	0%	26,338	15%
Moderate Income	10	14%	25,340	14%
Middle Income	31	42%	39,399	22%
Upper Income	30	41%	86,603	49%
N/A	2	3%	0	0%
Total:	73	100%	177,680	100%

*Source: 1990 U.S. Census

The 1990 Census median family income in the area was \$37,274. The Department of Housing and Urban Development (HUD) updated the median family income in 2002 to \$50,300. Median housing value was \$164,840, with 62 percent of all housing units owner-occupied according to the 1990 Census data.

In conjunction with this CRA examination, examiners contacted representatives from two economic redevelopment agencies that serve the bank's assessment area in the Los Angeles/Long Beach MSA and Riverside/San Bernardino MSA. This is done to help identify community needs for credit or services and to determine the extent of financial institution involvement in addressing identified needs. The community contacts reported the need for affordable housing, small business financing, and small business education. One contact stated that small businesses are frequently denied credit due to poor money management. To address the problem, there is a need for workshops targeted for small business, such as financial statement preparation, establishing good credit, and workforce training/retention. They reported that financial institutions could assist in conducting such workshops.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio (LTD) is reasonable given that the bank is newly formed and considering the local competitive banking environment. We analyzed the quarterly average LTD ratio over the last 10 quarters and compared it to eight peer banks of similar asset size based in the same assessment area. The bank's average ratio was 39 percent, which is below the peer bank average ratio of 73 percent. Although Chino Commercial Bank's ratio is below the peer average, this is to be expected given that the bank opened for operation in September 2000.

Favorably, the ratio has steadily increased during this evaluation period, ranging from a low of 8 percent in September 2000 to a high of 60 percent in December 2002.

LENDING IN ASSESSMENT AREA

A majority of loans originated or purchased since the bank opened are within the bank's assessment area.

We analyzed all loans the bank originated or purchased from September 2000 through February 2003. We prepared this analysis based on the bank's data, which we tested for accuracy. The bank originated a majority of the number and dollar volume of its loans within the assessment area.

Table 4 reflects the distribution of loans originated inside and outside the assessment area.

Table 4

LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA SEPTEMBER 2000 THROUGH FEBRUARY 2003*								
	Inside Assessment Area				Outside Assessment Area			
Year	# of Loans	% of Loans	\$ (000's) of Loans	% of \$(000)	# of Loans	% of Loans	\$ (000's) of Loans	% of \$(000)
2000-2001	25	71%	3,435	55%	10	29%	2,774	45%
2002	76	62%	11,042	51%	46	38%	10,427	49%
2003	20	65%	3,770	70%	11	35%	1,591	30%
Total	121	64%	\$18,247	55%	67	36%	\$14,792	45%

*Source: Bank Compiled Data

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

Lending to businesses of different sizes in both the Los Angeles/Long Beach and Riverside/San Bernardino areas is reasonable, by comparison, for a new bank.

We compared the bank's record of lending to businesses with the small business demographics of these areas. Dun & Bradstreet 2002 demographics reflect that approximately 90 percent of the businesses in these areas are small businesses (having gross annual revenue of \$1 million or less). As the tables below reflect, the number and dollar volume of the bank's loans to small business is somewhat below the demographic. This penetration is expected since the bank has been open for less than three years and a portion of loan originations-to-date are purchased loan participations. Most frequently, these participations are large-dollar loans made to businesses with revenues greater than one million. As Chino Commercial Bank matures and originates additional loans, we expect that the bank's lending portfolio will be more consistent with the

demographics of the assessment area.

For this analysis, we reviewed commercial loans originated within the respective areas between September 2000 and February 2003. We reviewed all 13 commercial loans originated within the Los Angeles/Long Beach area and randomly sampled 60 commercial loans originated within the Riverside/San Bernardino area. We selected this loan product for review because the bank is primarily a commercial lender.

Tables 5 and 6 reflect the distribution of commercial lending by business revenue size in each of the two MSA portions of the assessment area.

Table 5

DISTRIBUTION OF COMMERCIAL LOANS BY ANNUAL BUSINESS REVENUE LOS ANGELES/ LONG BEACH MSA SEPTEMBER 2000 THROUGH FEBRUARY 2003					
Revenue Size	# of Loans	% of Loans	\$ (000's) of Loans	% of \$(000)	% of Businesses in AA*
Business <= 1 Million	8	62%	1,165	47%	91%
Business > 1 Million	5	38%	1,324	53%	9%
Total Loan Sample:	13	100%	\$2,489	100%	100%

*Source: 2002 Dun & Bradstreet

Table 6

DISTRIBUTION OF COMMERCIAL LOANS BY ANNUAL BUSINESS REVENUE RIVERSIDE/SAN BERNARDINO MSA SEPTEMBER 2000 THROUGH FEBRUARY 2003					
Revenue Size	# of Loans	% of Loans	\$ (000's) of Loans	% of \$(000)	% of Businesses in AA*
Business <= 1 Million	35	58%	\$5,427	65%	90%
Business > 1 Million	25	42%	\$2,876	45%	10%
Total Loan Sample:	60	100%	\$8,303	100%	100%

* Source: 2002 Dun & Bradstreet

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Lending patterns in the Los Angeles area compare very favorably to the local demographics and indicate excellent responsiveness to businesses located in the moderate-income tracts. While no loans were extended in low-income census tracts, the Dun & Bradstreet demographic data indicate limited lending opportunities with less than one percent of businesses located in those tracts. For this analysis, we used the same sample described in the preceding section of this

report under “Lending to Business of Different Sizes.”

Table 7 reflects the geographic distribution of the bank’s loans compared with the local demographics within the Los Angeles/Long Beach area.

Table 7

GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS LOS ANGELES/ LONG BEACH MSA SEPTEMBER 2000 THROUGH FEBRUARY 2003					
Income Definition of Tract	# of Loans	% of Loans	\$ (000's) of Loans	% of \$(000)	% of Businesses in AA*
Low Income	0	0	0	0	1%
Moderate Income	6	46%	804	33%	8%
Middle Income	3	23%	1278	51%	40%
Upper Income	4	31%	407	16%	51%
Total Loan Sample:	13	100%	\$2,489	100%	100%

*Source: 2002 Dun & Bradstreet

The bank’s lending in moderate-income tracts in the Riverside/San Bernardino area does not compare very favorably with the area demographics. Management attributes the low penetration primarily to their de novo status. The bank has been open a relatively short time and has not yet adequately penetrated the moderate-income tracts. [It is noteworthy that our analysis is based on 1990 U.S. Census tract data. The most recent 2000 Census data, however, indicate that overall penetration in moderate-income tracts would be approximately 12 percent by the number of loans. This indicates the bank’s performance would compare more closely with 14 percent of businesses located in moderate-income tract.]

Table 8 reflects the geographic distribution of the bank’s loans compared with the local demographics within the Riverside/San Bernardino area.

Table 8

GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS RIVERSIDE/SAN BERNARDINO MSA SEPTEMBER 2000 THROUGH FEBRUARY 2003					
Income Definition of Tract	# of Loans	% of Loans	\$ (000's) of Loans	% of \$(000)	% of Businesses in AA*
Low Income	0	0	0	0	0
Moderate Income	3	5%	260	3%	14%
Middle Income	17	28%	2,358	28%	46%
Upper Income	40	67%	5,685	69%	40%
Total Loan Sample:	60	100%	\$8,303	100%	100%

*Source: 2002 Dun & Bradstreet

RESPONSES TO COMPLAINTS

Chino Commercial Bank has not received any written complaints associated with its performance under the Community Reinvestment Act.

FAIR LENDING REVIEW

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.