

CRA PERFORMANCE EVALUATION

The Community Reinvestment Act regulation requires each financial institution to include in the public file a copy of the public section of the institution's most recent CRA Performance Evaluation prepared by its regulatory agency. The institution must include a copy of this document within 30 business days after its receipt from its regulatory agency.

A copy of Chino Commercial Bank's most recent CRA Performance Evaluation follows this page.



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 14, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Chino Commercial Bank, National Association
Charter Number 23950

14245 Pipeline Avenue
Chino, CA 91710

Office of the Comptroller of the Currency

Santa Ana Field Office
1551 North Tustin Avenue
Suite 1050
Santa Ana, CA 92705-8661

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:

- A substantial majority of the bank's lending activity is within its delineated assessment areas.
- The bank's distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics.
- The geographic distribution of business loans reflects reasonable dispersion throughout the assessment areas compared to area demographics.
- The bank's loan-to-deposit ratio is reasonable given the bank's size and performance context.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) assesses Chino Commercial Bank's CRA performance using the lending test criteria for small bank examinations. We performed a full-scope examination of the bank's two assessment areas. We analyzed a random sample of commercial loans the bank originated or purchased between January 1, 2010 and December 31, 2011. We focused our review on commercial loans because they represent the major portion of the bank's lending activity.

DESCRIPTION OF INSTITUTION

Chino Commercial Bank, N.A. (CCB or the bank) is a full-service community bank headquartered in Chino, California. CCB opened for business in September 2000. The bank is wholly-owned by Chino Commercial Bancorp, a one-bank holding company that formed in July 2006. The main branch is located in Chino, California, in an upper-income census tract. CCB also has branches in Ontario and Rancho Cucamonga, California, located in middle-income census tracts. The bank opened the Rancho Cucamonga branch in April 2010 to expand banking activity into a new market area and promote growth in core deposits.

CCB offers a variety of commercial loan products to meet the credit needs of small- and mid-size businesses with an emphasis on commercial real estate and commercial/industrial lending. The bank offers consumer loans primarily as an accommodation to certain business customers. Consumer lending products include automobile, equity, and personal loans. CCB offers traditional services at all branches. Each branch has an automated teller machine (ATM). The ATMs comply with the requirements of the Americans with Disabilities Act. All branches are open for business

Monday through Thursday from 9:00 AM to 5:00 PM, Friday 9:00 AM to 6:00 PM, and Saturday 9:00 AM to 12:00 PM.

The CCB Report of Condition and Income reported total assets of \$111 million, total loans of \$55 million, total deposits of \$100 million, and total equity capital of \$11 million as of March 31, 2012. Total loans represented approximately 50 percent of total assets. The following chart summarizes the loan portfolio by major loan type.

Chino Commercial Bank, N.A. Loan Portfolio by Major Product Type March 31, 2012		
Loan Type	(000's)	Percent
Commercial Real Estate	43,641	79%
Construction	938	1%
Commercial-Industrial	5,631	10%
Consumer	5,367	10%
Other/Less Unearned Income	(86)	0%
Total	55,491	100%

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the community. CCB received a "Satisfactory" rating under the "Small Bank" rating criteria at the last CRA examination, dated July 31, 2007.

DESCRIPTION OF ASSESSMENT AREAS

CCB assessment areas (AAs) meet the requirements of the regulation and do not arbitrarily exclude low- and moderate-income geographies. The AAs include portions of two adjacent Metropolitan Statistical Areas (MSAs): the Riverside-San Bernardino-Ontario MSA (the bank's Riverside-San Bernardino AA) and the Los Angeles-Long Beach-Glendale MSA (the bank's Los Angeles AA). The area consists of whole and contiguous geographies within an approximate 20-mile radius of the branch locations where the bank has established lending opportunities, and areas the bank determined it can reasonably serve.

The banking environment is highly competitive. Several independent banks compete for market share, including Inland Community Bank, Citizens Business Bank, Vineyard National Bank, and Pacific Western Bank. Large banks with branches in the area such as Bank of America, Wells Fargo, City National Bank, and Citibank are an increasing source of competition. These banks are pursuing small-sized businesses historically served by the smaller community banks.

Examiners contacted a statewide community economic development organization to determine primary credit needs in the AAs. This organization supports revitalizing low-to-moderate income (LMI) areas by assisting small business development through

various information and training programs, including programs targeted for LMI persons. Local and federal agencies provide about one-half of the program funding needs. The organization relies upon banks to donate the remaining funding needs.

Riverside–San Bernardino Assessment Area

The Riverside–San Bernardino AA has the Los Angeles County and Orange County lines on the west and the foothills of the Angeles and San Bernardino National Forests to the north. The southern boundary extends along the border for the City of Corona. The eastern boundary extends along the communities adjacent to the Cities of Riverside and San Bernardino. In aggregate, the counties of Riverside and San Bernardino are the second most populated region in the state. The U.S. Census Bureau reported the 2010 Riverside–San Bernardino Counties combined population at 4.2 million. The 2000 U.S. Census indicates a population of 937 thousand in the AA.

CCB helps meet community credit needs in the Riverside–San Bernardino AA through its main branch located in Chino and branches located in Ontario and Rancho Cucamonga.

This AA has 126 census tracts. There are no low-income tracts, 20 percent are moderate-income, 38 percent are middle-income, and 42 percent are upper-income tracts. The 2000 Census median housing value in the AA was \$161,653. According to DQNews, the median home price in March 2012 was \$200,000 for Riverside County and \$150,000 for San Bernardino County. Approximately 65 percent of all housing units in the AA are owner occupied. The 2000 weighted average of the MSA median family income was \$57,167. The 2011 HUD updated MSA median family income is \$62,500 for the Riverside–San Bernardino AA. Approximately 10 percent of the households are living below the poverty level.

Riverside and San Bernardino Counties are commonly known as the “Inland Empire.” The Inland Empire has become a major shipping hub due to relatively inexpensive land prices. Some of the nation's largest manufacturing companies, such as Toyota Motor Corporation–North American Parts and Logistics Distribution, APL Logistics, and Whirlpool Corporation, have chosen the Inland Empire for their distribution facilities. Other major employers include Stater Brothers, Ontario International Airport, California Department of Corrections & Rehabilitation, and Chino Valley Unified School District. The California Economic Development Department reported that the unemployment rates in Riverside County and San Bernardino County were 12.8 percent and 12.7 percent respectively in March 2012, above the state unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

The protracted sluggish economy, including bankruptcies and foreclosures rates, have affected area lending opportunities in general. The National Bankruptcy Research Center reported that the Counties of Riverside and San Bernardino had a total of 38,913 bankruptcies filed as of December 2011. RealtyTrac reported a combined 75,559 foreclosures for Riverside and San Bernardino Counties during 2011. The Kyser Center

for Economic Research predicts the economy of the Inland Empire area will not effectively rebound until the housing market recovers.

Los Angeles Assessment Area

The majority of the bank's Los Angeles AA census tracts are located in the East San Gabriel Valley region. The western boundary extends from Glendora to Rowland Heights, and the northern boundary is against the Angeles National Forest foothills. The southern boundary is the Orange County line, and the Counties of Riverside and San Bernardino lie to the east. The delineated area has a comparatively small population of 518 thousand per the 2000 U.S. Census. Since the geographies are within reasonable distance and adjacent, the bank's Chino, Ontario, and Rancho Cucamonga branches can readily service the Los Angeles AA.

The AA includes 104 census tracts of which one percent is low-income, 11 percent are moderate-income, 28 percent are middle-income, and 59 percent are upper-income. The 2000 Census median housing value was \$205,362. The single low-income census tract is in Pomona. According to DQNews, the median home price in March 2012 was \$310,000 for Los Angeles County. The 2000 weighted average of the MSA median family income was \$62,836. The 2011 HUD updated MSA median family income is \$64,000 for the Los Angeles AA. Approximately ten percent of the households are living below the poverty level.

The San Gabriel Valley suffered severe job losses over the past few years, but the area experienced slightly positive job growth during 2011. Growth in the higher education, healthcare, professional and business services, manufacturing, retail trade and tourism industry sectors contributed to the employment gains. The major employers in the AA include the Pomona Unified School District, Pomona Valley Hospital Medical Center, California State Polytechnic University at Pomona, Covina-Valley Unified School District, and Citrus Valley Medical Center.

The Kyser Center for Economic Research predicts it will be at least mid-decade before the labor market fully recovers. The San Gabriel Valley regional economy will continue on a slow growth and recovery track that will depend largely on the performance of the overall national economy. The California Economic Development Department reported that the unemployment rate in Los Angeles County was 11.9 percent in March 2012 compared to the state unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on our random sample of commercial loans, the bank's performance in meeting the credit needs of the community is satisfactory. During the evaluation period of January 1, 2010, through December 31, 2011, CCB made a substantial majority of its loans to borrowers inside the AAs. The bank has reasonable penetration among

businesses of different sizes and reasonable geographic dispersion throughout the AAs. The loan-to-deposit (LTD) ratio is reasonable given the bank’s size and performance context. Each of the areas considered in the lending test is described below.

Loan-to-Deposit Ratio

CCB’s LTD ratio is reasonable. We analyzed the bank’s quarterly average LTD ratio for the prior 20 quarters: from its last CRA examination through December 31, 2011. CCB’s average LTD ratio for this period was 64 percent. For the purpose of this analysis, we compared the bank’s ratio to the average ratio of six banks that are similar in asset size operating in a similar geographic area. The combined average quarterly LTD ratio for the comparable banks over the same period was 87 percent.

This has been an historic level and trend for this bank’s LTD ratio compared to the peer banks’ average. Performance context explains that CCB maintains conservative loan underwriting practices despite increasing competitive pressures and ongoing sluggish economic conditions. In addition, management seeks to maintain a comparatively higher level of liquidity given this bank’s high level of escrow deposits from its particular client base. The bank operates in a very intense competitive environment and holds only 0.26 percent of the deposit market share in their AA, with three large institutions holding 51 percent.

Lending in Assessment Area

CCB originated a substantial majority of its loans within its delineated AAs and exceeds the standard for satisfactory performance. The bank originated approximately 95 percent of the number of commercial loans in our random sample and 99 percent of the dollar amount within the AAs during our evaluation period. See Table 1 for details.

Table 1 - Lending in the Defined CRA Area Riverside-San Bernardino and Los Angeles Assessment Areas Commercial Loans January 2010 through December 2011										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial Loan Sample	19	95	1	5	20	2,130	99.5	10	0.5	2,140

Source: Random sample of 20 bank commercial loan originations from January 2010 through December 2011.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics and meets the standard for satisfactory performance.

We randomly sampled 20 business loans the bank originated or purchased within the Riverside-San Bernardino AA. Note: due mainly to competitive pressures, and

other performance context factors cited above, CCB only originated a total of eight loans in the Los Angeles AA. We analyzed the distribution of all eight of these loans. We placed more weight on the lending performance in the Riverside-San Bernardino AA, since that has historically comprised the bank’s primary market area.

Performance in the Riverside-San Bernardino AA

The bank originated 60 percent of loans (by number) and 50 percent (by dollar volume) to small business borrowers in the Riverside-San Bernardino AA. We placed greater weight on the number of loans for this analysis, and the percentage of the number of sampled loans reasonably compares to small business demographics in the Riverside-San Bernardino AA. See Table 2A for details.

Table 2A – Lending to Businesses of Different Sizes - Borrower Distribution Commercial Loans Riverside-San Bernardino Assessment Area January 2010 through December 2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68%	3%	29%	100%
% of Bank Loans in AA by #	60%	40%	0%	100%
% of Bank Loans in AA by \$	50%	50%	0%	100%

Sources: Dunn and Bradstreet reported revenue data. Random sample of 20 commercial loan originations from January 2010 through December 2011.

Performance in the Los Angeles AA

The bank originated 50 percent of loans (by number) and 32 percent (by dollar volume) to small business borrowers in the Los Angeles AA. While management seeks to improve its lending pattern in this AA, we placed greater weight on the number of loans for this analysis. As well, the percentage of the number of sampled loans reasonably compares to small business demographics in the Los Angeles AA. While the percentages are somewhat below the area demographics, lending to small businesses within the AA is highly competitive and CCB competes with a number of large national financial institutions as well as regional and local lenders. See Table 2B for details.

Table 2B – Lending to Businesses of Different Sizes - Borrower Distribution Commercial Loans Los Angeles Assessment Area January 2010 through December 2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	70%	3%	27%	100%
% of Bank Loans in AA by #	50%	50%	0%	100%
% of Bank Loans in AA by \$	32%	68%	0%	100%

Source: Dunn and Bradstreet reported revenue data. Eight commercial loans (100 percent of originations) from January 2010 through December 2011.

Geographic Distribution of Loans

Overall, the geographic distribution of business loans reflects reasonable dispersion throughout the assessment areas compared to area demographics and meets the standard for satisfactory performance. We randomly sampled 20 business loans the bank originated or purchased within the Riverside-San Bernardino AA. We also considered all eight business loans originated or purchased within the Los Angeles AA during the evaluation period. We gave more weight to the lending performance in the Riverside-San Bernardino AA as explained above.

Performance in the Riverside-San Bernardino AA

The geographic distribution for commercial loans reflects reasonable dispersion in the Riverside-San Bernardino AA. CCB’s lending to businesses in moderate-income tracts meets the demographic data for the AA. An analysis of loans in the low-income tracts is not meaningful since none of the tracts have a low-income designation. See Table 3A for details.

Table 3A - Geographic Distribution of Commercial Loans Riverside-San Bernardino Assessment Area January 2010 through December 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loan Sample	0%	0%	17%	15%	40%	35%	43%	50%

Sources: Dunn and Bradstreet business data by geographic location. Random sample of 20 commercial loan originations from January 2010 through December 2011.

Performance in the Los Angeles AA

The geographic distribution for commercial loans reflects excellent dispersion in the Los Angeles AA. CCB’s lending to businesses in low- and moderate-income tracts exceeds the demographic data for the AA. See Table 3B for details.

Table 3B - Geographic Distribution of Commercial Loans Los Angeles Assessment Area January 2010 through December 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loan Sample	2%	13%	7%	25%	24%	0%	66%	62%

Sources: Dunn and Bradstreet business data by geographic location. Eight commercial loans (100 per cent of originations) from January 2010 through December 2011. (Note: one percent of census tracts in geo-demographic data are not income-designated tracts).

Responses to Complaints

CCB has not received any complaints about its performance under the Community Reinvestment Act during this evaluation period.

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.

CRA PERFORMANCE REPORT
AND DEPOSIT ANALYSIS

Prepared for:
Chino Commercial Bank

For the periods of:
April 1, 2013 through September 30, 2016

Report Date:
January 13, 2017

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