



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 05, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Premier Commercial Bank, National Association
Charter Number: 24250

2400 East Katella Avenue, Suite 125
Anaheim, California 92806

Office of the Comptroller of the Currency

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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 Outstanding

- **The Lending Test is rated: Satisfactory.**
- **The Community Development Test is rated: Outstanding.**

Scope of Examination

The primary factors supporting the bank's Institution Rating follow.

- The bank originates a substantial majority of loans within its assessment area (AA).
- The bank's average loan-to-deposit ratio significantly exceeds the average ratio of similarly situated banks in the AA.
- The geographic distribution of loans compares very favorably to area demographics, especially in low- and moderate-income geographies.
- The bank demonstrates excellent responsiveness to community development (CD) needs, particularly its record of CD lending, which is outstanding.

Description of Institution

Premier Commercial Bank, N.A. (PCB) is an independent community financial institution headquartered in the City of Anaheim in Orange County, California. The bank is a wholly owned subsidiary of Premier Commercial Bancorp, a one-bank holding company. The bank opened for business in November 2001 at the main office in Anaheim, located in a moderate-income census tract.

In December 2007, PCB opened a second full-service branch in a moderate-income census tract in the City of Irvine to expand its presence in the area. During 2007, the bank closed a loan production office (LPO) in Woodland Hills, California, outside the bank's AA, due to slowing market conditions. The LPO primarily generated commercial real estate loans.

PCB bank offers a variety of traditional loan and deposit products at both branch offices. Lending products focus on commercial real estate, including construction lending and hotel/hospitality projects. The bank also provides loans and lines of credit for businesses, including participation in the Small Business Administration (SBA) 504 and 7(a) loan programs. Consumer loan products are publicly available, but are not a main business strategy. Other banking services include on-line banking, wire transfer services, safe deposit boxes, notary services, and facsimile transmission services for customers. PCB has an Automated Teller Machine (ATM) at the main branch in Anaheim.

As of September 30, 2008, the bank's assets totaled \$387 million. Loans totaled \$268

million, representing 88 percent of total assets. Deposits totaled \$344 million and equity capital totaled \$36 million. The following chart summarizes the loan portfolio by major loan type as reflected in the Call Report of Condition and Income.

| PREMIER COMMERCIAL BANK, N.A. | | |
|---|-----------|---------|
| Loan Portfolio by Major Product Type | | |
| Loan Type | (000s) | Percent |
| Real Estate | \$280,959 | 82% |
| Commercial/Industrial | 57,668 | 17% |
| Consumer | 1,049 | > 1% |
| Other | 13 | > 1% |
| Total | \$339,689 | 100% |

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the community. PCB received a "Satisfactory" rating under the "Small Bank" lending test criteria at the last CRA examination, dated May 10, 2004.

Description of Assessment Area(s)

PCB's AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The AA consists of the 577 census tracts that comprise Orange County (Metropolitan Statistical Area 5945). Orange County is situated in Southern California and is bounded by the counties of Los Angeles to the north, San Diego to the south, Riverside to the east, and by the Pacific Ocean to the west. Population was 2,846,289 according to the 2000 U.S. Census Bureau. Per the California Employment Development Department (CEDD), the 2007 population was 3,098,121.

The median housing value in the area according to the Census was \$275,476. The CEDD reports a more recent median housing value of \$510,000 as of March 2008. Approximately 59 percent of all housing units are owner-occupied. The Housing and Urban Development (HUD) updated median household income is \$78,300. Of the 577 census tracts in the AA, 4 percent are low-income, 27 percent are moderate-income, 33 percent are middle-income, and 36 percent are upper-income.

Orange County has a diverse economy, including bio-technology research and development, retail sales, services, and tourism. Major employers in the area include Walt Disney Company; Boeing; the University of California, Irvine; and California State University, Fullerton.

The county unemployment rate as of November 2008 was 6.1 percent, below both the state unemployment rate of 8.3 percent and the national unemployment rate of 6.7 percent. The employed labor force in November 2008 was approximately 1,638,700.

Economists project job growth of 0.1 percent in Orange County during 2009, centered in government, health services, retail trade, professional (scientific and technology), manufacturing, leisure and hospitality, and wholesale trade. [Source: Los Angeles Employment Development Corporation, July 2008; UCLA. forecast October 2008; California Employment Development Department, November 2008]

Competition among financial institutions in the area is strong. Other financial institutions include branches of large and mid-size bank branches and other community banks. Competitors include Wells Fargo Bank, Union Bank of California, California Bank and Trust, and Farmers and Merchants Bank. PCB has identified Centennial Bank, American Security Bank, and Sunwest Bank to be among its main competitors for market share in the AA.

Examiners contacted two organizations in the AA in conjunction with this CRA examination. Both organizations specifically named PCB as being an active participant in helping meet community development needs. The organizations identified the need for capital for small businesses in the AA, providing for economic development in low- and moderate-income areas, improving quality of the workforce, and increased affordable housing to support the workforce.

Conclusions with Respect to Performance Tests

LENDING TEST

PCB has a satisfactory record of meeting the credit needs of the AA.

Loan-to-Deposit Ratio

PCB's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. We evaluated the quarterly average LTD ratio over the past 19 quarters since the last evaluation, from March 2004 through September 2008. The bank's average LTD ratio over that period is 81 percent. This exceeds the 74 percent average ratio of eleven similarly situated banks during the same period (banks with similar asset size headquartered in the Orange County MSA). PCB's performance ratio represents a strong commitment of resources to lending activity.

Lending in Assessment Area

PCB's level of lending within its AA exceeds the standard for satisfactory performance. Based on our random sample of 20 commercial loans, the bank originated a significant majority by number (65 percent) and substantial number by dollar amount (92 percent) within the AA. We did not sample consumer loans because they are not a significant portion of the lending portfolio.

Table 1 reflects the number and dollar volume of commercial loans the bank originated or purchased inside and outside its AA.

Table 1

| Lending in the Assessment Area Commercial Loans January 2006 through September 2008 | | | | | | | | | | |
|--|------------------------|------------|----------------|------------|--------------------|-------------------------------|------------|------------------|-----------|--------------------------|
| | Number of Loans | | | | Total # | Dollar Amount of Loans | | | | Total (000's) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$(000's) | % | \$(000's) | % | |
| Commercial Loan Sample | 13 | 65% | 7 | 35% | 20 | \$8,100 | 92% | \$703 | 8% | \$10,608 |
| Percentages | | 65% | | 35% | 100% | | 92% | | 8% | 100% |

Source: Random sample of 20 bank loan originations from January 2006 through September 2008

Lending to Businesses of Different Sizes

The distribution of lending to businesses of different sizes is reasonable. For this analysis, we randomly sampled 20 commercial loans the bank originated within the AA from January 2006 through September 2008. We compared the loan data to Dunn and Bradstreet business demographics. PCB originated 35 percent of the number loans and 22 percent of the dollar volume to small businesses (having gross annual revenues of \$1 million or less).

Sample percentages do not compare closely to the Dunn and Bradstreet demographic, and would not meet the standard for "satisfactory performance" using that comparator alone. However, the bank's business strategies, including active participation in Small Business Administration (SBA) lending, provide reasonable support in light of performance context. For example, the bank is an active SBA lender, with a strong level of economic development loans, which is an identified need in the AA. In addition, the bank's business strategies focus heavily on commercial real estate, which are most often larger dollar loans. Together with conservative underwriting practices, these factors resulted in more loans to businesses with revenues exceeding \$1 million based on our sample.

Table 2 reflects the sample distribution of commercial loans to businesses of different sizes compared to area demographics.

Table 2

| Lending to Businesses of Different Sizes Distribution of Commercial Loans January 2006 through September 2008 | | | |
|--|--------------|--------------|-------|
| Business Revenue | ≤\$1,000,000 | >\$1,000,000 | Total |
| % of AA Businesses * | 69 | 7 | 100% |
| % of Bank Loans in AA by # | 35 | 65 | 100% |
| % of Bank Loans in AA by \$ | 22 | 78 | 100% |

Source: *Dunn & Bradstreet reported revenue data (24% of businesses did not report revenue data)

Geographic Distribution of Loans

The geographic distribution of business loans exceeds the standard for satisfactory performance. For this analysis, we randomly sampled 20 commercial loans the bank originated within the AA from January 2006 through September 2008. We compared the geographic pattern of sampled loans to Dunn and Bradstreet business demographics. Among the 20 commercial loans in our random sample, the number of loans in low- and moderate-income census tracts far exceeds Dunn & Bradstreet business demographics.

Table 3 reflects the geographic distribution of loans in the sample compared to area demographics.

Table 3

| Geographic Distribution of Commercial Loans January 2006 through September 2008 | | | | | | | | |
|---|---------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|
| Census Tract Income Levels | Low | | Moderate | | Middle | | Upper | |
| | % of AA Businesses* | % of Number of PCB Loans | % of AA Businesses | % of Number of PCB Loans | % of AA Businesses | % of Number of PCB Loans | % of AA Businesses | % of Number of PCB Loans |
| Commercial Loan Sample | 3% | 30% | 29% | 45% | 35% | 5% | 32% | 20% |

* Source: Dunn & Bradstreet business data by geographic location

Responses to Complaints

PCB has not received any complaints concerning its lending performance under the Community Reinvestment Act.

COMMUNITY DEVELOPMENT TEST

Responsiveness to Community Development Needs

PCB demonstrates outstanding responsiveness to CD needs, particularly its record of CD lending when compared to the bank's level of capital.

Number and Amount of Community Development Loans

In addition to the loans analyzed under the Lending Test described above, PCB also originated twelve loans that qualify as CRA CD loans. PCB originated nine of these loans within its AA totaling \$12.2 million and representing 34% of the bank's tier one capital. PCB also originated three CD loans in directly adjacent counties totaling \$4.3 million. Combined, these loans totaled \$16.7 million, representing 46% of the bank's tier one capital. This demonstrates outstanding commitment of bank resources for the purpose of CD. Among the twelve loans (which the bank granted under the SBA lending program), four qualify as serving the purpose of revitalization and stabilization, seven loans qualify as providing for economic development, and one loan qualified as affordable housing.

Number and Amount of Qualified Investments

PCB donated \$53,961 of its resources to local non-profit agencies for the benefit of low- and moderate-income residents of Orange County.

Extent to Which the Bank Provides Community Development Services

PCB officers and directors actively provided CD services for five organizations that qualify for CD consideration in this evaluation. The bank promotes and helps provide CD services in the AA through participation on various boards, including the provision of finance-related technical assistance. Primary examples are highlighted below.

- An executive bank officer actively serves on the board of directors of a foundation that provides charitable contributions for low-income persons in the AA. The bank officer provides financial expertise for this foundation, including helping to develop the annual budget.
- Another bank officer serves on the board of directors of an organization that provides food for persons in low- and moderate-income areas. The officer assists in managing the investments of the organization and provides guidance in

the areas of finance and banking.

Considering all the evaluation factors described above, PCB bank has demonstrated outstanding responsiveness to identifying and meeting CD needs.

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.