



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**North Coast Bank, N.A.
Charter Number 22112**

**8733 Lakewood Drive, Suite A
Windsor, CA 95492**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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 Community Reinvestment Act (CRA) performance of North Coast Bank, N.A. prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 15, 1996. 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 “**Satisfactory.**”

North Coast Bank's CRA performance evaluation is based on the following factors: (1) a reasonable loan-to-deposit ratio; (2) a majority of lending within their assessment areas; (3) reasonable geographic distribution within their assessment area; and (4) a majority of the bank's lending is made to small businesses.

The following table indicates the performance level of **North Coast Bank, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Windsor Oaks National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	N/A	N/A	N/A

DESCRIPTION OF INSTITUTION:

North Coast Bank is a community bank providing general banking services to Sonoma County. The bank had total assets of \$29,556,000 as of 9/30/96. There are two full service branches which are located in the towns of Windsor and Healdsburg with their assessment area extending to all of Sonoma County. The bank has a commercial banking focus but also provides consumer products. In the second and third quarters of 1996, 88% of the bank's lending was commercial and the remaining 12% was consumer. The bank does very little mortgage lending.

DESCRIPTION OF ASSESSMENT AREA:

Sonoma County is approximately 50 miles north of San Francisco, and is part of the Santa Rosa Metropolitan Statistical Area (MSA). The county has a total population of 388,000 people and has 60 census tracts, none of which are low income and eight, or 13%, are moderate income. The closest of which is ten miles from the Windsor branch. According to Dun & Bradstreet, in the first quarter of 1996, a total of 17,900 businesses operate in the county, 90% of which have annual revenues of less than

\$1,000,000. The economy consists of 42% services, 19% retail trade, 11% construction, and 9% finance, insurance, and real estate businesses. According to a community contact specializing in business in the Santa Rosa area, 1996 has shown positive growth trends due to sales growth and expansion, and a decrease in vacancy rates of commercial real estate. Population continues to grow as a result of migration northward from the San Francisco Bay Area primarily due to lower costs of living in the cities of Santa Rosa, Petaluma, and Rohnert Park. Small business lending and affordable housing loans are the primary credit needs in the county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio:

- **North Coast Bank's loan-to-deposit ratio is reasonable compared to peer group averages, and given the bank's size, financial condition, and assessment area credit needs.**

North Coast Bank's net loans and leases divided by total deposits for the eight quarters ending 9/30/94 to 6/30/96 averaged 75.4%. This ratio is higher than the bank's peer group average of 68.9%. Our peer group consisted of community banks located in Sonoma and Napa Counties over the same eight-quarter period. The bank also compares favorably to its national peer group average loan to deposit ratio of 68.8%, for the same period.

Lending in the Assessment Area:

- **A majority of loans are made within the bank's designated assessment area.**

Over the six month period from 4/1/96 to 9/30/96, North Coast Bank made a majority of their new originations within Sonoma County, both by number and dollar amount.

Lending Inside and Outside the Assessment Area 4/1/96 - 9/30/96

	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
<i>Inside Area</i>	<i>38</i>	<i>84.4</i>	<i>\$4,014,329</i>	<i>61.3</i>
<i>Outside Area</i>	<i>7</i>	<i>15.6</i>	<i>\$2,538,769</i>	<i>38.7</i>
<i>Total</i>	<i>45</i>	<i>100.0</i>	<i>\$6,553,098</i>	<i>100.0</i>

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

- **Given the demographics of the area, the distribution of borrowers reflects reasonable penetration among businesses of different sizes and among borrowers of different income.**

Of the 45 new originations made during this period, 27 were commercial loans made within the bank's assessment area. Of these loans, 20 (74%) were made to businesses with annual gross revenue of less than one million dollars. This percentage of lending to small businesses is reasonable compared to market data compiled by Dun & Bradstreet, which shows 90% of the businesses in Sonoma County have less than one million in annual gross revenue. Additionally, as small business lending was identified as a primary credit need in the assessment area, the bank is helping to meet that credit need by focusing a substantial majority of their lending ability in this area.

North Coast Bank's focus on meeting the small business needs of their area is further reflected by looking the loan amounts of commercial originations. Of the 27 in area commercial credits reviewed, 19 (70%) were for an amount of \$100,000 or less. The remaining 8 loans (30%) were made in amounts over \$100,000, but less than \$800,000.

From the 45 originations reviewed above, 11 were made to consumers. Our review of borrower's annual income reflects good penetration into all income groups and is reasonable given the demographics of the area.

Consumer Loans - Borrower Income Levels

	Low	Moderate	Middle	Upper
# of Loans	1	4	3	3
% of Loans	9%	36%	27%	27%
% of Population	17%	19%	25%	38%

Geographic Distribution of Loans:

- **The geographic distribution of loans reflects reasonable dispersion throughout North Coast Bank's assessment area.**

The geographic distribution of credit is reasonable given the absence of low income tracts, and the proximity of moderate income tracts in the bank's area. For the second and third quarters of 1996, we reviewed all 45 new originations made by the bank. The closest moderate income tract in proximity to a branch is approximately ten miles away in the Santa Rosa area. Also, the Santa Rosa market is very competitive for banking services and North Coast Bank does not have a branch that directly serves the city. A substantial majority of the bank's lending is either in the immediate communities of Windsor and Healdsburg, or is out of Sonoma County.

Geographic Distribution of Credit

	Moderate	Middle	Upper
Loans by \$	1%	78%	21%
Loans by #	3%	76%	21%

Census Tracts	13%	71%	16%
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Response to Complaints:

Management has not received any complaints about the bank's CRA performance since the last CRA evaluation conducted in August of 1994.

Other Items:

The bank is in compliance with anti-discrimination laws and regulations. These include the Equal Credit Opportunity Act, The Fair Housing Act, and the Home Mortgage Disclosure Act. There was no evidence in our Fair Lending Examination to indicate any discrimination against protected classes.