



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 30, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gold Country Bank, National Association
Charter Number 20862**

**519 D Street
Marysville, CA 95901**

**Comptroller of the Currency
San Francisco Field Office
50 Fremont Street, Suite 3900
San Francisco, CA 94105**

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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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

A satisfactory rating is appropriate given the bank's demonstrated ability to meet the credit needs of the community including low- and moderate-income families, small businesses and small farms. Specifically:

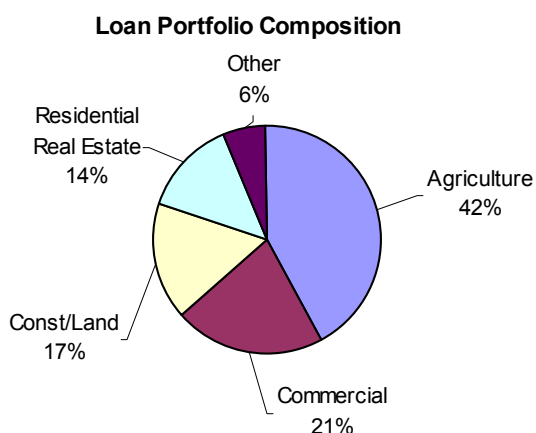
- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The bank's pattern of lending reasonably meets the demographics of the assessment areas.
- The bank's distribution of loans to businesses and farms of different sizes reflects good penetration. And residential real estate distribution is adequate given the bank's product focus and area demographics.
- The bank's loan-to-deposit ratio is good given area competition and credit needs of the community.

Gold Country Bank, N. A. is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

Gold Country Bank, N. A. (GCB) is an independently owned full-service commercial banking institution headquartered in Marysville, California. The bank provides general banking services through its headquarters and four branches located in Yuba County, Sutter County, and Butte County. GCB has branches in Brownsville, Live Oak, Marysville, Yuba City, and Gridley, California. All five locations provide ATM services, with a drive-up ATM facility at the Marysville branch. The branches in Yuba City and Live Oak are in moderate-income census tracts. The bank opened a loan production office (LPO) in Rocklin, California in March 2000.

As of March 31, 2002, GCB had total assets of \$81 million with \$65 million in net loans, which represents 80 percent of the bank's total assets. The corporate structure of the bank has not changed since the previous evaluation.



Source: March 31, 2002 Report of Condition

The bank's loan portfolio mix is representative of its business strategy and focus. The chart to the left outlines the composition of GCB's loan portfolio by dollar volume. Loans secured by farmland and agriculture production account for 42 percent of the bank's total portfolio. Commercial, non-farm/non-residential and industrial loans (business loans) comprise 21 percent of lending. Construction and land loans represent 17 percent and residential real estate loans comprise 14 percent of the portfolio. Recently, with the opening of the LPO in Rocklin, residential real estate lending has

increased, but the majority of the bank's real estate loans are sold through the secondary market. We chose to review the bank's lending patterns for residential real estate loans although they are not currently a primary product. The loan volume recorded on the bank's HMDA Loan Application Register includes all loans sold on the secondary market. Taken as a total, the volume of residential real estate loans is 24 percent of the bank's loan volume. Management anticipates continued growth in real estate lending due to their close proximity to Sacramento, which is 38 miles to the south of Marysville and Yuba City.

GCB offers a full line of loan and deposit products. There are no legal impediments or financial constraints that would preclude the bank from reasonably meeting the credit needs of its assessment area. The bank received a rating of "Satisfactory record of meeting community credit needs" at the last evaluation in December 1997.

DESCRIPTION OF GCB'S ASSESSMENT AREA

The bank's assessment area (AA) consists of the Yuba City metropolitan statistical area (MSA)

and a portion of the Butte County MSA. The portion of Butte County included in the AA is contiguous to the Yuba City MSA. The Yuba City MSA encompasses Sutter County and Yuba County. Sutter County includes the towns of Yuba City, Live Oak, and Sutter. Yuba County includes the towns of Marysville and Wheatland in addition to the villages of Linda, Olivehurst, Loma Rica and Brownsville. The portion of Butte County in the AA is located to the north of Yuba and Sutter Counties and includes the towns of Gridley and Biggs. Management considers the portion of Butte County as an area where the bank can reasonably serve lending needs consistent with its product focus. The bank opened a branch in Gridley in 1998 to have a presence in the area. We combined the Yuba City MSA and the portion of the Butte MSA into one AA for analysis purposes. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The bank's AA is agricultural in nature. Nearly 75 percent of all land in the area is used for agricultural-related purposes. This industry is a vital factor in the area's economy. There are a variety of crops including rice, almonds, walnuts, prunes, and peaches. According to a recent study by the University of California, one out of every four people in the region is employed either directly or indirectly in the agricultural field. In 1999, four major job categories comprised the Yuba City MSA's workforce including: government, retail trade, services, and agriculture.

Yuba City MSA

The Yuba City MSA's economy is currently experiencing modest but stable growth. Unemployment rates remain high due to the influence of farm and food processing industries. The area boasts a high number of seasonal jobs, which leads to a transitional labor market. Dried fruits represent a significant share in the area's agricultural output and producer prices are declining. With the exception of Beale Air Force Base and the Fremont/Rideout Health group, there is a relative absence of large stable employers. Ninety percent of the area businesses employ less than ten employees. In 2000, the unemployment rate for the Yuba City MSA was 12.1 percent, compared to 5.9 percent for the state. The government workforce, a significant employer in the AA, provides stability and accounts for over 24 percent of the total workforce in the area. Other employers include the Yuba City and Marysville School Districts and Yuba Community College.

Butte County MSA

The Butte County MSA has experienced accelerated growth in 2000. This growth comes from manufacturing and service-related industries. The bulk of the growth has been in the Chico, CA area, which is the largest city in the county and accounts for 30 percent of the population. It is the regional service and retail center for the surrounding area. The portion of the county included in GCB's AA is rural in nature, with agriculture production the primary industry. County unemployment is 6.8 percent and job growth has increased since the mid 1990's. Major employers in the county are Chico State University, Enloe Medical Center and Butte Community College, all located in Chico.

According to the 2000 U.S. Census, the total population of the bank's AA is 135,313. The AA consists of 6 moderate-income census tracts, 17 middle-income tracts, and 6 upper-income tracts. There are no low-income census tracts in the bank's AA. Based on U.S. Census data, there are 35,706 families residing within the AA, of which 20 percent are low-income, 19 percent are moderate-income, 21 percent are middle-income and 40 percent are upper income. The Housing and Urban Renewal Department's (HUD) adjusted Median Family Income for the combined MSA's for 2001 is \$38,410. Fourteen percent of the population is below poverty level. Fifteen percent of the population is on public assistance.

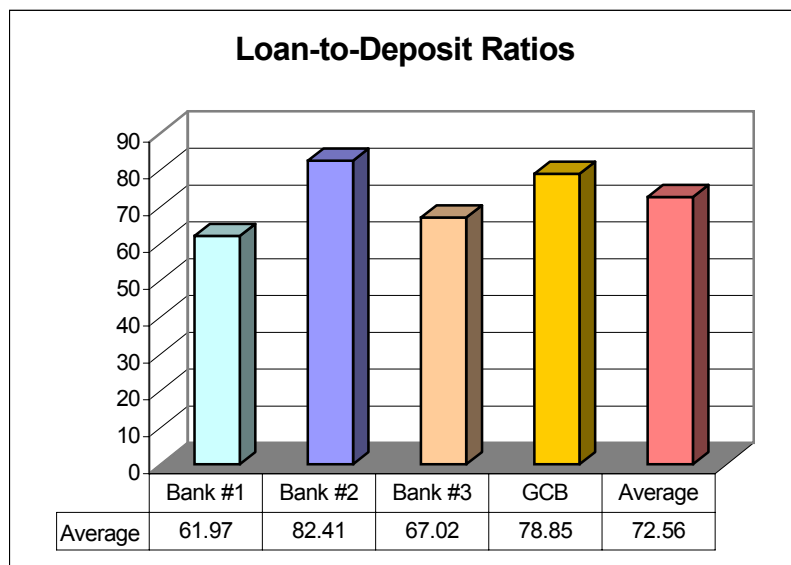
Competition is brisk with 14 financial institutions headquartered or with branches in the assessment area. These institutions consist of non-banks or credit unions, branches of regional banks, and local community banks. GCB is one of the smallest banks headquartered within its assessment area. As of June 30, 2001, GCB had 2.21% of the market's deposits, ranking 11th out of 14 institutions. The competing institutions include, in part, Bank of America, Washington Mutual, Tri Counties Bank, Wells Fargo Bank, Butte Community Bank and Feather River State Bank.

During this examination, we conducted a community contact interview with a county agency in Yuba County, and reviewed a report from a previous community contact with an economic development organization to identify credit needs in the AA. The contacts identified a need for small business lending and affordable housing. Affordable housing is the only option for many low- and moderate-income families because housing costs are high in the area relative to income, which is typical of most of California.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Gold Country Bank, N.A.'s performance in meeting the credit needs of its AA, including small farm and business borrowers and low- and moderate-income families is satisfactory.

Loan-to-Deposit Ratio



The loan-to deposit ratio is good, ranking above average compared with similarly situated banks. As of March 31, 2002, the bank's quarterly average loan-to-deposit ratio calculated since the previous CRA evaluation was 79%. The table to the left reflects the bank's comparison to similar banks as of March 31, 2002. The quarterly average loan-to-deposit ratios over the same time period for similarly situated banks range between 62 percent and 82 percent.

Similarly situated banks are those banks of comparable asset size or product mix operating within the assessment area. GCB's loan-to-deposit ratio does not include the residential real estate loans originated and sold on the secondary market or agricultural loan participations sold to other banks. If these loans were kept in the bank's portfolio, the ratio would be higher.

Lending in Assessment Area

The bank's level of lending within the AA is satisfactory. Our sample of commercial, agriculture, and residential real estate loans reflects that a majority of loans, by number and dollar volume, are originated within the bank's AA. The following table illustrates these findings:

Loan Type	Percent of Loans in the AA Based on Number of Loans	Percent of Loans in the AA Based on Dollar Volume
Business Loans	90%	84%
Agriculture Loans	80%	91%
Real Estate Loans	64%	51%

We analyzed a sample of 20 business loans and 20 agriculture loans originated since the previous CRA examination. These products are the bank’s primary lending focus. A significant majority of loans, by both number and dollar, are extended to customers located within the bank’s AA.

We also reviewed residential real estate loans extended from January 2001 to July 2002. Performance inside the AA is not as strong as business and agriculture loans. Residential real estate lending is not a major product focus of the bank. If analyzed by year, lending inside the AA improved in 2002 when compared to 2001. In 2001, 54 percent of the loans were made in the AA while 82 percent were in the AA in 2002.

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

The bank’s distribution of loans to businesses of different sizes is satisfactory and distribution of loans to agricultural borrowers of different sizes reflects good penetration. Distribution of real estate loans by income level is adequate.

Business Loans

Businesses with annual gross revenues of \$1 million or less are designated as “small businesses.” The AA demographic data indicates 93 percent of all businesses reporting income in 2001 had annual revenues under \$1 million. Our sample of 20 loans reflects that 80 percent of the bank’s loans were to small businesses by number and 90 percent by dollar volume. Refer to the table below for details.

Gross Revenues	Number of Loans	Percent of Loans based on Sample Number	Percent of Loans Based on Sample Dollars	Percent of Businesses in AA by Number
\$0-1,000,000	16	80%	90%	93%
>\$1,000,000	4	20%	10%	7%
Totals	20	100%	100%	100%

Further, of the business loans sampled, 65 percent by number were to borrowers with gross annual revenues under \$500 thousand, additional confirmation of the bank’s commitment to meeting the credit needs of small business individuals.

Farm Loans

Farms with annual gross revenues of \$1 million or less are designated as “small farm.” The AA demographic data indicates 84 percent of all farms reporting income in 2001 had annual

revenues under \$1 million. Our sample of 20 loans reflects that 85 percent of the bank’s agriculture related loans were to small farms by number and 75 percent by dollar volume. The table below illustrates the details.

Revenue Distribution of Farm Loans				
Gross Revenues	Number of Loans	Percent of Loans based on Sample Number	Percent of Loans based on Sample Dollars	Percent of Farms in AA by Number
\$1-1,000,000	17	85%	75%	84%
>\$1,000,000	3	15%	25%	16%
Totals	20	100%	100%	100%

Of the loans to small farmers, 80 percent were to farms with revenues under \$500 thousand by number and 65 percent by dollar, underscoring the banks commitment to serving the credit needs of the small farmer.

Residential Real Estate Loans

The lending distribution to low- and moderate-income borrowers falls short of area demographics due to several factors. Real estate lending has not historically been a major lending product for the bank. The majority of loans were traditionally extended as an accommodation to agriculture and business borrowers. Moderately priced housing is also in short supply in the AA. Housing costs are rising due to increased interest from families seeking to relocate from the Sacramento area and commute to work. Homeownership opportunities are limited because of the disparity between income levels and housing costs. Thirty nine percent of the AA families are designated as low- or moderate-income. Fourteen percent of area households are below the poverty level. Without some type of assistance, many of these families find it difficult to buy a home.

Distribution of Real Estate Lending by Borrower Income			
Income Designation of Borrower	% of Families in the AA	% of HMDA Loans by Number	% of HMDA Loans by Dollar Volume
Low	20%	8%	3%
Moderate	19%	7%	4%
Middle	21%	17%	12%
Upper	40%	67%	77%
Income Not Available	NA	1%	4%
Total	100%	100%	100%

Source: Bank Provided 2001 and 2002 HMDA-LAR Reports

Geographic Distribution of Loans

The geographic distribution of loans reflects a good dispersion throughout the assessment area for the bank's main products, business and agriculture loans. We analyzed a sample of both loan types to determine the level of lending in each of the AA's geographic areas. The results are contained in the following tables.

Geographic Distribution of Business Loans			
Income Designation of Geographic Tract	% of Businesses in each Tract	% of Sample Loans by Number	% of Sample Loans by Dollar Volume
Low*	NA	NA	NA
Moderate	23%	25%	31%
Middle	57%	65%	65%
Upper	20%	10%	4%
Total	100%	100%	100%

* The AA does not include any low-income census tracts.

Analysis shows that GCB's loans are above demographic levels for business loans in moderate-income census tracts. When compared to the level of businesses in these tracts, the bank is addressing the needs of businesses in the area.

The geographic distribution of agriculture loans was analyzed and the results are outlined in the table below:

Geographic Distribution of Agriculture Loans			
Income Designation of Geographic Tract	% of Farms in the Tract	% of Sample Loans by Number	% of Sample Loans by Dollar Volume
Low	NA	NA	NA
Moderate	14%	20%	22%
Middle	65%	40%	44%
Upper	21%	40%	34%
Total	100%	100%	100%

Agriculture loan distribution is above area demographics in moderate-income areas. Comparing these results with the level of farms in the tracts, the bank is addressing the needs of businesses located in moderate-income tracts.

Other Information

A large portion of the bank's AA includes four California Enterprise Zones. This is a tax incentive project established to stimulate growth and create jobs in economically depressed areas across the state. Gold Country Bank, N.A. has two branches in the Yuba/Sutter Enterprise Zone.

The California Revenue & Taxation Code provides business-related tax incentives for enterprise zone businesses. Another pro-business incentive available is the Enterprise Zone Hiring Credit. The Enterprise Zones comprise a significant portion of GCB's assessment area. Since 1998, GCB has extended \$10.6 million in loans to businesses that are located in the Enterprise Zones.

GCB also offers Small Business Administration (SBA) loans to businesses and Farm Service Agency (FSA) loans to agriculture borrowers. These programs guarantee portions of the loans, mitigating credit risk and help the bank to meet the credit needs of their community.

Residential Real Estate Loans

The distribution of real estate loans extended from January 2001 to July 2002 is concentrated in middle-income census tracts. The bank made 64 mortgage loans within the bank's assessment area for a dollar volume of \$7.9 million. Sixty-three percent of the loans extended were for home refinancing.

Geographic Distribution of Real Estate Loans			
Income Designation of Geographic Tract	% of Owner Occupied Housing	% of Loans by Number	% of Loans by Dollar Volume
Low	NA	NA	NA
Moderate	18%	8%	9%
Middle	56%	65%	57%
Upper	26%	27%	34%
Total	100%	100%	100%

The bank's level of residential real estate lending in the moderate-income tracts of the AA is below demographics. It reflects adequate penetration given the bank's product focus, lack of available housing inventory, and area competition. A significant percentage of housing in the moderate-income tracts is renter occupied. We did not identify any unexplained lending gaps. One moderate-income tract is Beale Air Force Base and one is the location of the airport, while two others are primarily populated with retirees and businesses.

Community Development Loans

In 1998 the bank extended two loans, one for \$255,000 and one for \$56,000 in conjunction with the Rural California Housing Corporation to provide financing for a building rehabilitation in Live Oak, CA. This project renovated a building into senior housing and commercial development. The building is located in a moderate-income census tract.

Responses to Complaints

The bank has not received any CRA related complaints since the previous examination.

Fair Lending Review

An analysis of four years of public comments and consumer complaint information, small business and small farm lending data, and 2001-2001 HMDA data was performed according to the OCC's risk-based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.