



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**November 14, 2000**

# **Community Reinvestment Act Performance Evaluation**

**National Bank of the Redwoods  
Charter Number: 18541**

**111 Santa Rosa Avenue  
Santa Rosa, California 95404**

**Office of the Comptroller of the Currency**

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**NOTE: This evaluation is not, and should not 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 **National Bank of the Redwoods** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 14, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR §121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the Lending, Investment, and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope Review** - Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income** - Income levels that are less than 50 percent of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80 percent and less than 120 percent of the MFI.

**Moderate-Income** - Income levels that are at least 50 percent and less than 80 percent of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings, and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120 percent or more of the MFI.

## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated “**Satisfactory.**”

The following table indicates the performance level of **National Bank of the Redwoods** with respect to the Lending, Investment, and Service Tests:

Performance Levels	National Bank of the Redwoods Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major conclusions that support this rating include:

- ❑ The bank originated an adequate volume of home mortgage loans and a good volume of small business loans within the assessment areas. The geographic distribution of small business loans is excellent and the geographic distribution of home mortgage lending is good. Loan distribution by borrower income is adequate while the distribution by business revenue size is poor. Community development lending performance is excellent, which positively effects the overall Lending Test rating.
- ❑ The bank has an overall good level of investments, grants, and donations that are responsive to the housing needs of low- and moderate-income families. None of the investments is complex or innovative.
- ❑ The bank offers a good level of alternative delivery systems designed to meet the needs of the assessment areas. Branches and alternative delivery systems are accessible to geographies and individuals of different income levels in its assessment area. Management occasionally acts in a leadership role in many of the activities.

## Description of Institution

National Bank of the Redwoods (“NBR”) is a national bank chartered in 1985. It is headquartered in Santa Rosa, California, which is in Sonoma County. NBR is an intrastate bank and it is wholly owned by Redwood Empire Bancorp (“REB”), a publicly owned corporation. The bank has three wholly owned subsidiaries, and only one is currently active. These include the bank’s sub prime lending unit Valley Financial Mortgage Corporation, its residential and mortgage banking and brokerage unit Allied Diversified Credit Corporation, and its merchant credit card unit Redwood Merchant Services (the only active subsidiary).

Before September 10, 1999, the bank operated four principal lines of business: core community banking, merchant card services, sub prime lending, and residential mortgage banking and brokerage. In September 1999, the bank discontinued the operations of its mortgage banking and mortgage brokerage units. The divestiture was in the form of an asset sale and transfer of employees to Valley Financial Funding, Inc., whose shareholders include senior management of the discontinued units. The bank’s current business strategy involves two principal lines of business; core community banking and merchant card services, which provides Visa and MasterCard credit card processing and settlement services for nearly 67,000 merchants in the United States.

As of the bank’s September 30, 2000 Consolidated Report of Income and Condition, total assets were \$436 million, total deposits were \$392 million, and Tier 1 Capital was \$31 million. NBR has seven offices serving Lake County, Mendocino County, and Sonoma County. NBR provides its core community banking services through five retail branches located in Sonoma County, California, one retail branch located in Mendocino County, and one retail branch located in Lake County. NBR owns six automated teller machines (“ATMs”), five of which are attached to branches and one is a stand-alone. In addition, NBR operates drive-up windows at three offices, two in Santa Rosa and one in Ukiah.

NBR is a full-service bank offering various loan and deposit products. The bank offers residential and commercial real estate mortgage and construction loans, commercial loans, and consumer loans. As of September 30, 2000, total loans were \$339 million or 78 percent of total assets. The loan portfolio consists of real estate loans (88 percent), commercial loans (8 percent), agricultural loans (1.9 percent), and loans to individuals for personal use (0.3 percent).

There are no legal, financial, or other factors impeding the bank’s ability to help meet the credit needs of the communities it serves. The bank was not involved in any mergers or acquisitions during the evaluation period.

NBR was rated “Satisfactory” at its last CRA evaluation dated September 14, 1998, in which the bank was evaluated using the small bank evaluation standards.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We evaluated the bank's lending activity for home mortgage loans reported under the Home Mortgage Disclosure Act and small loans to businesses from July 1, 1998, to September 30, 2000 ("evaluation period"). The last CRA evaluation considered loans originated through June 30, 1998. For community development loans, investments, and services, we considered all activity since the last CRA evaluation. During this evaluation period, NBR originated (including purchases) 997 home mortgage loans, 493 small business loans, and 7 community development loans in its assessment areas. Small loans to farms and consumer loans, i.e., automobile loans, and other loans for personal uses represent a small volume of the overall loan business of the bank and therefore, we did not consider them in this evaluation.

### Data Integrity

To determine the accuracy of the bank's loan and investment data to be used in our analysis, we reviewed a random sample of 60 small business loans and 30 residential real estate loans. Our initial review of loans disclosed several reporting errors with small business loans in 1999, mostly resulting from incorrect reporting of census tracts. Consequently, management reviewed all loans that originated during 1999 and corrected each error before this evaluation. While we were able to use the corrected information for most of our analysis, the 1999 market share by geography for small business loans in Table 5 in Appendix D is slightly overstated for moderate-income tracts. In the Santa Rosa MSA, the bank overstated its number of small business loans in moderate-income tracts by seven loans, which in effect increased its market share in moderate-income tracts from 3.48 percent to 4.26 percent.

Additionally, we reviewed all community development loans, investments, and services to ensure that each activity has community development as its primary purpose. We determined that the information was substantially correct and sufficient to use to assess the CRA performance of the bank during the evaluation period.

### Selection of Areas for Full-Scope Review

We selected the Santa Rosa MSA assessment area (Sonoma County) for a full-scope review. This assessment area is representative of the bank's overall CRA performance. The bank has nearly 85 percent of its loans and more than 74 percent of its deposits in the Santa Rosa MSA, when compared with the other assessment areas. Additionally, the Santa Rosa MSA is the most populated of the assessment areas and it has the most lending, investment, and service opportunities available. Please refer to Appendix B for a complete description of the Santa Rosa MSA assessment area.

We performed limited-scope reviews of the Lake County and Mendocino County assessment areas due to the overall low lending and investment volumes in those counties.

### Ratings

NBR's overall rating is based primarily on performance in the Santa Rosa MSA. In arriving at the bank's overall record of performance, we evaluated activities under the Lending, Investment, and Service Tests in the Santa Rosa MSA. The rating method is structured such that the Lending Test weighs more heavily in the final determination than the Investment and Service Tests. In the area of



HMDA lending, we gave the greatest weight to home purchase and home refinance loans due to the higher volume relative to home improvement loans. Additionally, home purchase and home refinance lending has a direct impact on new affordable housing lending. We also considered community development lending under the Lending Test. Community development lending volume, including any community development loans that were complex or innovative, can only enhance the bank's rating under the Lending Test.

## **Other**

During our examination, we interviewed one community contact. Also, we considered information obtained from community contacts that the OCC and other federal financial institution regulators previously conducted. These interviews were with local organizations that are involved in small business lending, affordable housing, and redevelopment and revitalization of economically depressed communities in the assessment areas. The most pressing needs that the organizations identified included refinancing for the construction and rehabilitation of affordable housing units in low-income neighborhoods. Specific loan programs needed are 30-year fixed mortgages with more flexible qualification requirements, i.e., higher debt-to-income ratios, for first time homebuyers. In addition, funding for housing, temporary shelter facilities, and supportive services for the homeless continue to be in need.

## Fair Lending Review

In conjunction with this CRA examination, we also performed a Fair Lending examination of NBR. We performed an analysis of the 1998 HMDA, Small Business, and Small Farm lending data, public comments, and consumer complaint information in accordance with the OCC's risk based Fair Lending approach. The analysis of this data revealed a basis for the OCC to conduct a comprehensive Fair Lending examination with the CRA evaluation this year. We used the OCC's Fair Lending examination procedures and focused on a sample of mortgage loans extended to Asian applicants compared to White applicants from January 1, 1999, through September 30, 2000. Our objective was to determine if NBR provided consistent treatment to these borrowers, without regard to race.

Based on the findings of this review, we conclude that

- ❑ NBR satisfactorily complies with Fair Lending laws,
- ❑ Disparate treatment is not being applied on a prohibited basis, and
- ❑ NBR has a satisfactory process in place to help ensure ongoing compliance with fair lending laws and regulations.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "**High Satisfactory.**" This is based on the following factors.

- ❑ The bank made an adequate volume of residential loans and a good volume of small business loans within the assessment areas.
- ❑ The geographic distribution of small business loans is excellent. The distribution of small business loans to businesses with revenues less than \$1 million is poor.
- ❑ The overall distribution of home mortgage loans by geography is good and the distribution by borrower income is adequate.
- ❑ Community development lending performance is excellent, which positively effects the overall lending test rating. The loans represent a significant amount relative to the Tier 1 Capital of the bank. The bank has been highly responsive to the affordable housing and community service needs of the assessment area.

#### Lending Activity

*(Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.)*

The bank originated an adequate volume of home mortgage lending in the Santa Rosa MSA assessment area. During the evaluation period, the bank originated 890 home mortgage loans totaling \$154 million (423 home purchase, 44 home improvement, and 422 home mortgage refinance loans). In aggregate, the 1999 overall market share of the number of home mortgage loans was 1.51 percent, compared to its overall market share of deposits of 4.64 percent. The bank ranked 19<sup>th</sup> out of the 265 home mortgage lenders in the assessment area for home purchase loan activity. Additionally, NBR generated a significant volume of home mortgage loans through its retail mortgage unit until the bank sold the unit in 1999.

The bank originated a good volume of small business loans in the Santa Rosa MSA. NBR originated 398 small loans to businesses totaling \$59 million. The bank ranked ninth out of the 67 reporting lenders in the Santa Rosa MSA, which is slightly better than the bank's rank of 11 for deposits by dollar volume in Sonoma County as of June 30, 1999. Its market share of the number of small business loans in 1999 was 2.68 percent and 8.30 percent by dollar, compared to its overall market share of deposits of 4.64 percent. NBR's average loan size for small business loans is quite large at \$133 thousand compared with the average of \$43 thousand for other lenders. In the Santa Rosa MSA assessment area, two large financial service providers dominate the market in numbers of small business loans made. The two lenders, which primarily provide credit card loans to businesses, had 41 percent of the market share in 1999.

The bank originated an excellent level of community development loans since the previous examination, which are highly responsive to the affordable housing and community service needs of the assessment area.

## **Distribution of Loans by Income Level of the Geography**

### ***Home Mortgage Loans***

*(Refer to Tables 2, 3, and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.)*

Mortgage loans for home purchases accounted for nearly 47 percent of all the bank's home mortgage loans made in the Santa Rosa MSA. Refinanced mortgage loans also accounted for nearly 47 percent. Overall, home mortgage lending by income level of geography is good.

The distribution of home purchase loans in moderate-income tracts is good. Applicants in moderate-income census tracts received five percent of the number of home purchase loans which is near to the seven percent of the owner occupied housing units located in these tracts. Its 0.66 percent market share of home purchase loans in moderate-income census tracts is significantly less than its overall market share of 1.53 percent. However, the percentage of owner-occupied housing units within each income level of geography is generally a better indicator of lending opportunities than market share. Market share information gives view of how well the bank is meeting the needs of low- and moderate-income geographies relative to the other lenders within the assessment area.

The second largest category of home mortgage lending is home mortgage refinance loans. Geographic distribution of these loans is good in moderate-income tracts. The percentage of the bank's home mortgage refinance loans in moderate-income tracts (5.92 percent) is similar to the proportional share of owner occupied housing units in those tracts (7.03 percent). Also, the bank's 1.08 percent market share of these loans in moderate-income tracts is substantially the same as its overall market share of 1.09 percent indicating good responsiveness. There are no low-income census tracts in the Santa Rosa MSA assessment area.

A geographic distribution analysis of home improvement loans was not performed considering the overall low number of home improvement loans originated or purchased in the assessment area. During the evaluation period, the bank originated/purchased 44 home improvement loans.

### ***Small Loans to Businesses***

*(Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.)*

The geographic distribution of small business loans in the Santa Rosa MSA is excellent. The percentage of the number of small business loans in moderate-income tracts was 20.35 percent, which significantly exceeds the 14.99 percent of the businesses located in moderate-income tracts. Its market share in moderate-income tracts was 4.26 percent, which exceeds its overall market share of 2.68 percent. It is also doing an excellent job in moderate-income tracts considering the fact it has very few branches in those tracts.

## **Lending Gap Analysis**

Examiners noted no conspicuous gaps in lending or areas with abnormally low loan penetration that could not be adequately explained. The bank's percentages of home purchase loans in geographies of different income levels are generally consistent with the percentages of owner-occupied units in geographies of different income levels. For example, moderate-income tracts contained 7.03 percent of the area's owner-occupied housing units while receiving 5.67 percent of the home purchase loans, 4.55 percent of the home improvement loans, and 5.92 percent of the home refinance loans. Tracts with little or no loan penetration were either located in outlying areas of the assessment area, in which they were served by other financial institutions or they contained very few owner-occupied housing units.

## **Inside/Outside Ratio**

The overall inside/outside ratio is adequate. Collectively, while about 91 percent of the small business loans and 78 percent of the community development loans were made in the three assessment areas, only 30 percent of the home mortgage loans were within the assessment areas. Because the bank used loan production offices throughout California to underwrite home mortgage loans, 70 percent of those loans originated to applicants outside the assessment areas. The majority of these loans were sold on the secondary market.

## **Distribution of Loans by Income Level of the Borrower**

### **Home Mortgage Loans**

*(Refer to Tables 7, 8, and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.)*

Overall, the distribution of home mortgage loans to borrowers of different income levels is adequate.

The distribution of home purchase loans to low- and moderate-income borrowers is adequate. Of the bank's home purchase loans, 3.07 percent and 12.77 percent (by count) came from low- and moderate-income applicants, while low-income and moderate-income families make up 17.10 percent and 19.09 percent of the population, respectively. While the percentages of home purchase loans to low- and moderate-income borrowers are below the percentages of low- and moderate-income families in the assessment area, the high cost of housing in this market makes it more difficult for low-income and moderate-income families to afford a home. The Market Profile table shows that the median housing value for the assessment area was \$200,623. Based on the HUD adjusted median family income of \$58,100, a low-income borrower would have an income of only \$29,050.

The distribution of home mortgage refinance loans to low- and moderate-income borrowers is also adequate for similar reasons as the distribution of home purchase loans. During the evaluation period, 3.55 percent and 13.03 percent of the home mortgage refinance loans were to low- and moderate-income families, respectively.

A distribution analysis of home improvement loans by income level of the borrower was not performed considering the overall low number of home improvement loans originated or purchased in the assessment area. During the evaluation period, the bank originated/purchased 44 home improvement loans.

## **Small Loans to Businesses**

*(Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.)*

The bank has a poor record of lending to smaller businesses that have revenues of less than \$1 million. In the Santa Rosa MSA, only 38.19 percent of the number of small business loans were to businesses with revenues of less than \$1 million. However, demographics show that 87.31 percent of the small businesses in the assessment area have revenues of less than \$1 million. Of the aggregate number of small business loans to small businesses, the bank has a 2.08 percent market share compared with its overall market share of 2.68 percent. While the bank's percentage of small business loans to businesses with revenues of less than \$1 million is significantly lower than the demographics, its percentage is much closer to the market average of 49 percent for all other lenders.

## **Community Development Lending**

*(Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.)*

The bank generated an excellent level of community development loans since the previous evaluation, which has a positive influence on the overall Lending Test rating. During this evaluation period, the bank originated seven community development loans within the Santa Rosa MSA assessment area totaling \$6.7 million. In evaluating the volume of community development loans, we allocated the Tier 1 Capital of the bank among the assessment areas based on the distribution of deposits in each assessment area. Of the bank's \$31 million in Tier 1 Capital, the allocated Tier 1 Capital in the Santa Rosa MSA equaled \$23.1 million. In this assessment area, community development loans represent 29 percent of the allocated Tier 1 Capital.

The bank has been highly responsive as these community development loans help to meet important credit needs in the assessment area, particularly for affordable housing and community services. Five of the bank's community development loans totaling \$4.7 million are for affordable housing purposes. The remaining two loans totaling \$2 million are to finance organizations that provide community services that are targeted to low- and moderate-income individuals. Examples of two of the largest community development loans are described below:

- ❑ The largest community development loan is \$2.6 million, which represents the bank's portion of a syndicated loan that finances the construction of a 51-unit affordable housing apartment building in the Santa Rosa MSA. The rental units are restricted to low-income families that are earning less than 60 percent of the MFI.
- ❑ The next largest community development loan actually consists of two loans totaling \$2 million to finance the private purchase of a much needed community based hospital in Western Sonoma County that primarily serves low- and moderate-income patients. The purchase by the private investors prevented the eminent closure of the hospital, which would have had an adverse impact on the community and businesses that serve the hospital. The terms of this loan were flexible to help ensure the financing succeeded. The bank waived all origination fees and structured the loan as interest-only for four years, which are not typical underwriting standards.

## Product Innovation and Flexibility

None of the bank's loan products, programs, or lending practices that we noted was innovative or flexible to address the credit needs of low- and moderate-income individuals or geographies. However, we noted that certain community development loans contained innovative or flexible aspects, which we discussed in the examples of community development loans.

## Conclusions for Areas Receiving Limited-Scope Reviews

*(Refer to Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.)*

Based on limited-scope reviews, the bank's performance under the Lending Test in Mendocino County is not inconsistent with the bank's overall Low Satisfactory performance under the Lending Test. In Lake County, the bank's performance is weaker than the bank's overall performance. This weaker performance is centered in the bank's overall low lending volume. The bank only originated/purchased five small business loans in Lake County during the 27-month evaluation period totaling \$272 thousand. Home mortgage lending is also very limited. The bank originated 38 home mortgage loans totaling \$4.4 million. The overall low volumes of lending are the result of several factors, including the bank's entrance into the market through a 1997 acquisition of a residential mortgage lender and the low number of small businesses operating in Lake County. Due to these factors, the weaker performance in Lake County did not adversely affect the bank's overall Lending Test rating.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

*(Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.)*

The bank's performance under the Investment Test is rated "**High Satisfactory.**" This is based on the following factors:

- ❑ The volume of investments is good relative to the capacity of the bank to invest.
- ❑ Investments, while not complex or innovative, are responsive to the essential service needs of the community.
- ❑ All of the investments benefited the assessment area of the bank. While the bank did not have a leadership role in the development of these investments, opportunities for investment are limited.

#### ***Dollar amount of qualified investments***

NBR has a good level of qualified investments that benefit the Santa Rosa assessment area. Since the previous evaluation, the bank made 31 qualified investments totaling \$1.3 million. In evaluating the volume of investments, we allocated the Tier 1 Capital of the bank among the assessment areas based on the distribution of deposits in each assessment area. Of the bank's \$31 million in Tier 1 Capital, the allocated Tier 1 Capital in the Santa Rosa MSA equaled \$23.1 million. In this assessment area, the volume of qualified investments represents 5.63 percent of the allocated Tier 1 Capital. All of the investments were made during this evaluation period.

#### ***Responsiveness of qualified investments to credit and community development needs***

A review of the CRA performance evaluations for other local banks, information solicited from community contacts, as well as examiners' knowledge of the community confirms that investment opportunities available within the assessment area are limited. Also, a number of financial institutions compete for the same investments. NBR is responsive to the needs of the community, particularly the need for affordable housing. A substantial majority of the investments was made to support housing. Examples of two such investments that NBR made are shown below.

- ❑ Housing authority bonds: NBR purchased \$500 thousand of these bonds, which were issued to purchase and rehabilitate 120 units of affordable multifamily housing. These housing units are located in a moderate-income census tract and are targeted for low-income families. The local government targeted this area for redevelopment and recently annexed this community to the City of Santa Rosa. The rents for some of these units are capped at 50 percent of the family median income and 60 percent for other units.
- ❑ Affordable housing fund: The bank invested \$750 thousand, which was used to build and rehabilitate 319 affordable rental units. This investment gave the bank a 6.28 percent membership interest in the housing fund. The fund benefits the bank's assessment area, as well as the Cities of San Jose and Davis City. NBR will receive Federal low-income tax credits.



- Equity investment in California Economic Development Lending Initiative (CEDLI): This entity makes loans, both direct and with co-lending commercial banks, throughout California. CEDLI's charter is to provide funding small businesses in order to promote job creation and retention. NBR made an equity investment of \$25 thousand.

## **Conclusions for Area Receiving Limited-Scope Reviews**

*(Refer to Table 12 in Appendix C for the facts and data that support these conclusions.)*

Based on limited-scope reviews, the bank's performance under the Investment Test in the non-MSAs of Lake County and Mendocino County is weaker than the overall High Satisfactory performance under the Investment Test. The bank has limited presence in these assessment areas as it only has one branch in each County. The opportunities for investments are less than in the Santa Rosa MSA and the competition for the few opportunities is intense. Consequently, this performance did not adversely affect the overall rating of the bank.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "**High Satisfactory.**" This is based on the following factors:

- ❑ The branches and other alternative delivery systems are accessible to geographies and individuals of different income levels in its assessment area.
- ❑ Banking hours and services at the branches do not vary in a way that would adversely affect any one portion of the assessment area.
- ❑ The bank has a good level of community development services, which are responsive to the needs of the assessment area.

### Retail Banking Services

*(Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.)*

The bank offers a variety of banking services and products. It has a lending focus in real estate and business loans. Branch distribution among the geographies within the assessment area is excellent. Five of the seven branches of the bank are located in the Santa Rosa MSA. There are no low-income geographies within the assessment area. NBR's branch distribution in the moderate-income geographies exceeds demographics as 10 percent of the population live within the moderate-income geographies when compared with 20 percent of the branches of the bank.

Branch office hours and services for the most part are consistent among the branch locations, with one exception. The Montgomery branch, which is located in a middle-income census tract, is the only branch opened for Saturday banking. Other branches were opened for Saturday banking, but management determined that the activities conducted at those branches could be done through the ATMs. However, NBR's banking hours is consistent with other financial institutions in the assessment area.

NBR offers a good level of alternative delivery systems designed to meet the needs of the entire assessment area. Alternative delivery systems include, online banking and bank-by-appointment (for individuals and businesses), lockbox, and courier services. The bank-by-appointment and courier services resulted from meetings with focus groups. The courier service is targeted to businesses. It currently serves 169 businesses. Of those businesses, 17 or 10 percent are located in moderate-income geographies, and 78 or 46 percent of these businesses have revenues of less than \$1 million. Bank officers sign up customers for courier services at their place of business and customers receive same day credit for deposited items. The lockbox service helps small businesses to manage their cash position and it provides accurate accounting and recordkeeping of receivables.

## Community Development Services

The bank has a good level of community development services that are responsive to the needs of the entire assessment area. Bank management encourages employees to participate in community activities. Sixteen employees, or 11 percent of the workforce, were active in 37 activities designed to meet the needs of individuals and businesses of all income levels within the assessment area. Examples of bank participation during this evaluation period include:

- Financial Seminars: NBR employees had leadership roles and participated in nine seminars designed to improve the earning capacity of the low- and moderate-income individuals, as well as stabilizing small businesses. These seminars addressed topics such as starting a small business, completing business loan applications, packaging construction loans, managing risks associated with Y2K, developing business plans, Internet banking, and merchant fraud awareness. One hundred low-income individuals and 697 businesses with revenues of less than \$1 million attended these seminars.
- Affordable Housing: Bank officers provided technical assistance to the Federal Home Loan Bank of San Francisco (“FHLB”) and the Sonoma County Government in assessing the housing needs for low- and moderate-income individuals. NBR identified several low- and moderate-income areas for the FHLB, as well as provided information on the specific needs of those areas, which ensured that funds were made available to those in need. A bank officer sits on the Sonoma County Continuum of Care Planning Group. This group addresses the full spectrum of shelter, housing, and service needs for all homeless individuals in the County. Information derived from this Group was used to develop the County’s Consolidated Plan. It should be noted that NBR is the only bank participating at this level.
- Job Placement Opportunities: The President of the bank is a board member of the Goodwill Industries of the Redwood Empire. In this capacity, the President provides technical assistance in getting long time welfare recipients placed in jobs. This group places approximately 740 individuals in jobs annually. In 1998 and 1999, this activity was expanded to include businesses.

## Conclusions for Areas Receiving Limited-Scope Reviews

*(Refer to Table 13 in Appendix C for the facts and data that support these conclusions.)*

Based on limited-scope reviews, the performance of the bank under the Service Test in the non-MSA areas is weaker than the overall High Satisfactory Service Test rating. The bank has no branches in the moderate-income geographies of either Lake or Mendocino County. It did not open or close any branches in either area during the evaluation period. Based on this data, the bank’s performance is weaker than the overall High Satisfactory Service Test rating, but this weaker performance does not adversely affect the overall Service Test rating.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “Full-Scope”) and those that received a less comprehensive review (designated by the term “Limited-Scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (07/01/98 to 09/30/00 Investment and Service Tests and CD Loans: (09/15/98 to 11/14/00)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
National Bank of the Redwoods (NBR) Santa Rosa, California	Home mortgage, small business loans, small farm loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Santa Rosa MSA #7500	Full-Scope	
<i>Nonmetropolitan Areas</i> Lake County Mendocino County	Limited-Scope Limited-Scope	

# Appendix B: Market Profile for Full-Scope Area

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### Market Profile for Area Receiving Full-Scope Review

Santa Rosa MSA .....	B-2
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**Santa Rosa MSA**

Demographic Information for Full Scope Area: Santa Rosa MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	60	0.00	13.33	70.00	15.00	1.67
Population by Geography	388,222	0.00	10.21	73.44	16.35	0.00
Owner-Occupied Housing by Geography	93,763	0.00	7.03	73.42	19.55	0.00
Business by Geography	19,725	0.00	14.99	71.16	13.85	0.00
Farms by Geography	1,033	0.00	3.97	81.12	14.91	0.00
Family Distribution by Income Level	100,859	17.10	19.09	25.39	38.42	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	36,500	0.00	14.36	74.60	11.04	0.00
Median Family Income	41,961	Median Housing Value		200,623		
HUD Adjusted Median Family Income for 2000	58,100	Unemployment Rate (1990 US Census)		3.2%		
Households Below Poverty Level	6.75%					

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census and 2000 HUD updated MFI.

NBR's primary assessment area consists of the County of Sonoma, which is in the Santa Rosa MSA. The bank serves the assessment area with five branches, equipped with ATMs, located throughout the County. In addition, the bank operates drive-up windows at two offices.

As of the bank's September 30, 2000 Consolidated Report of Income and Condition, it reported approximately \$392 million in total deposits received from Sonoma County. These deposits represent 74 percent of its total deposits. In addition, it originated/purchased 84.81 percent of its home mortgage, small business, small farm, and community development loans within this assessment area during the evaluation period.

Agriculture plays a vital role in the County's economy. Many areas are now in demand for housing development. Census data for 1990 showed a median housing value of \$201 thousand. However, according to the 2000 Sonoma County Consolidated Plan, the median price of home resales at the end of 1999 was estimated at \$259 thousand, up from \$219 thousand at the end of 1998. This represents an 18 percent increase in home values, the biggest increase in 10 years. The sales price of a new home in 1999 is even higher, averaging \$284 thousand. According to an article, dated October 27, 2000, in the *Press Democrat*, a local newspaper, the median price of new homes sold in Sonoma County in September 2000 was \$293 thousand.

According to the Santa Rosa Chamber of Commerce Community Economic Profile, the unemployment level for the MSA was estimated at 4.4 percent for 2000. Sonoma County's largest industries are services, retail trade, manufacturing, and government. Sonoma County has become one of the most important wine regions in the world and it attracts numerous tourists. The population for Sonoma County as of June 2000 was reported at 450,057.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.

- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MSA/assessment area. The table also presents data on branch openings and closings in each MSA/assessment area.



Table 1. Lending Volume

LENDING VOLUME		Evaluation Period: 07/01/1998 TO 09/30/2000										
MSA/Assessment Area	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans (#) in AA
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Scope</b>												
Santa Rosa MSA	74.37	890	153,614	398	59,067	28	4,592	7	6,718	1,323	223,991	84.81
<b>Limited Scope</b>												
Lake County	11.05	38	4,439	5	272	9	2,021	0	0	52	6,732	3.33
Mendocino County	14.58	69	11,950	90	8,759	26	2,281	0	0	185	22,990	11.86

\* Deposit Data as of June 30, 1999

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Evaluation Period: 07/01/1998 TO 09/30/2000														
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
<b>Full Scope</b>																
Santa Rosa MSA	0.00	0.00	7.03	5.67	73.42	71.39	19.55	22.93	19	1.53	0.00	0.66	1.60	1.80	423	90.19
<b>Limited Scope</b>																
Lake County	0.00	0.00	10.25	0.00	63.88	33.33	25.87	66.67	24	1.16	0.00	0.00	0.72	1.84	18	3.84
Mendocino County	0.00	0.00	4.16	3.57	68.63	57.14	27.21	39.29	17	1.77	0.00	2.38	1.10	3.49	28	5.97

\* Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT										Evaluation Period: 07/01/1998 TO 09/30/2000						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
<b>Full Scope</b>																
Santa Rosa MSA	0.00	0.00	7.03	4.55	73.42	70.45	19.55	25.00	67	0.10	0.00	0.00	0.14	0.00	44	88.00
<b>Limited Scope</b>																
Lake County	0.00	0.00	10.25	0.00	63.88	0.00	25.87	0.00	0	0.00	0.00	0.00	0.00	0.00	0	0.00
Mendocino County	0.00	0.00	4.16	0.00	68.63	50.00	27.21	50.00	0	0.00	0.00	0.00	0.00	0.00	6	12.00

\* Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 07/01/1998 TO 09/30/2000						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
<b>Full Scope</b>																
Santa Rosa MSA	0.00	0.00	7.03	5.92	73.42	72.99	19.55	21.09	24	1.09	0.00	1.08	1.12	0.95	422	88.47
<b>Limited Scope</b>																
Lake County	0.00	0.00	10.25	10.00	63.88	75.00	25.87	15.00	20	1.44	0.00	0.00	2.20	0.70	20	4.19
Mendocino County	0.00	0.00	4.16	2.86	68.63	45.71	27.21	51.43	20	1.39	0.00	0.00	0.60	3.25	35	7.34

\* Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL BUSINESS										Evaluation Period: 07/01/1998 TO 09/30/2000							
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans		
	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
<b>Full Scope</b>																	
Santa Rosa MSA	0.00	0.00	14.99	20.35	71.16	59.80	13.85	19.85	9	2.68	0.00	4.26	2.17	3.73	398	80.73	
<b>Limited Scope</b>																	
Lake County	0.00	0.00	8.24	100.00	69.05	0.00	22.72	0.00	0	0.00	0.00	0.00	0.00	0.00	5	1.01	
Mendocino County	0.00	0.00	21.65	20.00	65.91	53.33	12.44	26.67	7	3.34	0.00	3.25	2.50	7.49	90	18.26	

\* Based on 1999 Aggregate Small Business Data only. Market rank is for all income categories combined.

\*\* Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL FARM										Evaluation Period: 07/01/1998 TO 09/30/2000							
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans		
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
<b>Full Scope</b>																	
Santa Rosa MSA	0.00	0.00	3.97	0.00	81.12	82.14	14.91	17.86	2	23.61	0.00	0.00	29.82	0.00	28	44.44	
<b>Limited Scope</b>																	
Lake County	0.00	0.00	7.02	0.00	73.68	100.00	19.30	0.00	0	0.00	0.00	0.00	0.00	0.00	9	14.29	
Mendocino County	0.00	0.00	7.69	7.69	59.28	15.38	33.03	76.92	3	12.05	0.00	0.00	4.00	25.81	26	41.27	

\* Based on 1999 Aggregated Small Business Data Only. Market rank is for all income categories combined.

\*\* Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HMDA HOME PURCHASE										Evaluation Period: 07/01/1998 TO 09/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Purchase Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope</b>																
Santa Rosa MSA	17.10	3.07	19.09	12.77	25.39	27.90	38.42	55.08	19	1.53	1.65	1.56	1.93	1.95	423	90.19
<b>Limited Scope</b>																
Lake County	19.01	11.11	18.85	0.00	19.32	27.78	42.82	61.11	24	1.16	4.17	0.00	1.11	1.66	18	3.84
Mendocino County	18.78	0.00	16.48	10.71	21.29	17.86	43.46	67.86	17	1.77	0.00	4.92	1.38	2.36	28	5.97

\* Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.16% of loans originated by National Bank of the Redwoods.

\*\*\* Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT										Evaluation Period: 07/01/1998 TO 09/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*					Total Home Improvement Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope</b>																
Santa Rosa MSA	17.10	0.00	19.09	2.27	25.39	18.18	38.42	79.55	67	0.10	0.00	0.00	0.00	0.19	44	88.00
<b>Limited Scope</b>																
Lake County	19.01	0.00	18.85	0.00	19.32	0.00	42.82	0.00	0	0.00	0.00	0.00	0.00	0.00	0	0.00
Mendocino County	18.78	0.00	16.48	0.00	21.29	0.00	43.46	100.00	0	0.00	0.00	0.00	0.00	0.00	6	12.00

\* Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.16% of loans originated by National Bank of the Redwoods.

\*\*\* Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 07/01/1998 TO 09/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Mortgage Refinance Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope</b>																
Santa Rosa MSA	17.10	3.55	19.09	13.03	25.39	31.75	38.42	49.29	24	1.09	2.34	1.70	1.62	1.11	422	88.47
<b>Limited Scope</b>																
Lake County	19.01	5.00	18.85	10.00	19.32	25.00	42.82	50.00	20	1.44	0.00	1.85	1.77	1.78	20	4.19
Mendocino County	18.78	2.86	16.48	8.57	21.29	11.43	43.46	74.29	20	1.39	5.88	0.00	1.31	2.17	35	7.34

\* Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.16% of loans originated by National Bank of the Redwoods.

\*\*\* Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL BUSINESS										Evaluation Period: 07/01/1998 TO 09/30/2000						
MSA/Assessment Area	Businesses With Revenues of \$1 million or less		% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*			Total Small Loans to Businesses							
	% Business**	% Bank Loans***	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total****							
<b>Full Scope</b>																
Santa Rosa MSA	87.31	38.19	62.06	19.35	18.59	2.68	2.08	398	80.73							
<b>Limited Scope</b>																
Lake County	88.80	0.00	100.00	0.00	0.00	0.00	0.00	5	1.01							
Mendocino County	89.67	66.67	81.11	11.11	7.78	3.34	3.50	90	18.26							

\* The market consists of all other Small Business reporters in the National Bank of the Redwood's assessment area and is based on 1999 Aggregate Small Business Data only.

\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses.

\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 2.84% of small loans to businesses originated and purchased by the bank.

\*\*\*\* Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL FARM		Evaluation Period: 07/01/1998 TO 09/30/2000							
MSA/Assessment Area	Businesses With Revenues of \$ 1million or less		% Distribution Loans by Original Amount Regardless of Farm Size			Market Share*		Total Small Farm Loans	
	% Farms**	% Bank Loans***	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total****
<b>Full Scope</b>									
Santa Rosa MSA	91.29	57.14	57.14	21.43	21.43	23.61	19.61	28	44.44
<b>Limited Scope</b>									
Lake County	91.23	77.78	33.33	22.22	44.44	0.00	0.00	9	14.29
Mendocino County	91.86	80.77	80.77	15.38	3.85	12.05	10.94	26	41.27

\* The market consists of all other Small Farm reporters in the National Bank of the Redwood's assessment area and is based on 1999 Aggregate Small Business Data only.

\*\* Farms with revenues of \$1 million or less as a percentage of all farms.

\*\*\* As a percentage of loans with borrower income information available.

\*\*\*\* Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS		Evaluation Period: 09/15/1998 TO 11/14/2000							
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Scope</b>									
Santa Rosa MSA	0	0	31	1,327	31	1,327	100.00	0	0
<b>Limited Scope</b>									
Lake County	0	0	10	6	10	6	0.00	0	0
Mendocino County	0	0	9	32	9	32	0.00	0	0

\* "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

\*\* "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L - "Off-Balance Sheet Items".

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	Evaluation Period: 09/15/1999 TO 11/14/2000			
MSA/Assessment Area	Deposits	Branches						Branch Openings/Closings						Population						
	% of Rated Area Deposits in MSA/AA	# of Bank Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies (%)				# of Branch Closings	# of Branch Openings	Net change in Location of Branches (+ or -)				% of the Population with Each Geography*						
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp			
<b>Full Scope</b>																				
Santa Rosa MSA	74.37	5	71.43	0.00	20.00	80.00	0.00	0	0	0	0	0	0	0.00	10.21	73.44	16.35			
<b>Limited Scope</b>																				
Lake County	11.05	1	14.29	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	35.75	48.86	15.39			
Mendocino County	14.58	1	14.29	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	7.42	67.64	24.94			

\* The percentage of the population in the MSA/AA that resides in these geographies.