



LARGE BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Public Disclosure

November 12, 2003

Community Reinvestment Act
Performance Evaluation

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

**111 Santa Rosa Avenue
Santa Rosa, CA 95402**

Office of the Comptroller of the Currency

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, 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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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 | | X | |
| High Satisfactory | 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 factors that support this rating include:

- The bank originated a low volume of home mortgage loans and an adequate volume of small business loans within the assessment area. The geographic distribution of small business loans is excellent. The distribution of small business loans to businesses with revenues less than \$ 1 million is adequate. Community development lending performance is excellent.
- The bank has an overall excellent 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 has a good distribution of branches that are accessible to geographies and individuals of different income levels. The bank also provides an excellent level of community development services that are responsive and supportive of community development needs in the assessment area.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental 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.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited 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, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. 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 Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

National Bank of the Redwoods (NBR) is a national bank chartered in 1985. The bank's headquarters are in Santa Rosa, California, which is in Sonoma County. The bank is wholly owned by Redwood Empire Bancorp "REB", a publicly owned corporation. NBR has three wholly owned subsidiaries, which are currently inactive. 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.

As of the bank's September 30, 2003, Consolidated Report of Income and Condition, total assets were \$514 million, total deposits were \$458 million, and Tier 1 Capital was \$41 million. NBR has seven offices serving Lake County, Mendocino County, and Sonoma County. NBR provides its core community banking services through five retail branches in Sonoma County, one retail branch located in Mendocino County, and one retail branch located in Lake County. NBR owns seven automated teller machines "ATMs," one at each branch. 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, 2003, total loans were \$412 million or 80 percent of total assets. The loan portfolio consists of real estate loans (92 percent), commercial loans (6 percent), and agricultural loans (2 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 November 14, 2000, in which the bank was evaluated using the large bank evaluation standards.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Our evaluation considers National Bank of the Redwoods small business lending activities from January 1, 2000, to December 31, 2002. We reviewed HMDA reportable loans from January 1, 2000, to December 31, 2002, since residential real estate constitutes a significant portion of the bank's loan portfolio. The evaluation period for community development lending, investment, and services include all activities since the last CRA Performance Evaluation through November 12, 2003. Refer to Appendix A for additional details of the examination scope.

Data Integrity

We performed a data integrity examination in September 2003 to determine the accuracy of the bank's small business lending data that we used for this evaluation. We also reviewed all community development loans, CRA investments, and services activities to determine if each activity has community development as its primary purpose. Based on our sampling, we did not identify any significant errors. Management's review process is good.

Selection of Areas for Full-Scope Review

We performed a full-scope review of the Santa Rosa MSA. NBR designated the Santa Rosa MSA (Sonoma County) as its primary assessment area. NBR is headquartered in Santa Rosa. This area accounts for over 75% of the deposits and 80% of the loans. The assessment area comprises 60 census tracts. Demographic information used in this evaluation is based on the 1990 U.S. Census figures.

Refer to Appendix B for complete descriptions of the assessment areas.

Ratings

NBR's overall rating is based primarily on performance in the Santa Rosa MSA (NBR Main). In arriving at the bank's overall record of performance, we evaluated activities under the Lending, Investment, and Service Test 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

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

We found no evidence of illegal discrimination or other illegal credit practices.

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 a low volume of residential loans and an adequate volume of small business loans within the assessment area.

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.

Community development lending performance is excellent, which positively affects the overall lending test rating. The bank has been highly responsive to the affordable housing and community service needs of the area.

Lending Activity

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

The bank originated a good number of home mortgage loans in NBR Main AA area given the competition in the area. In aggregate, the bank's 2002 overall market share for the number of home mortgage loans was 0.19 percent, compared to its overall market share of deposits of 4.57 percent. The bank ranked 74 out of the 412 home mortgage lenders in the assessment area for home mortgage loan activity, and 10 out of only 20 banks competing for FDIC insured deposits. NBR's home mortgage activity, has declined since the retail mortgage unit was sold in 1999. In view of this fact, and the much more competitive nature of the home mortgage lending market, the bank's lending activity is commensurate with its deposit taking activity.

The bank originated a good volume of small business loans in the NBR Main AA. NBR originated 349 small business loans totaling \$65 million. The bank ranked 11 out of 96 in small business lending market share of the reporting lenders in NBR Main AA. The bank ranked 10 for deposits by dollar volume in NBR Main AA as of December 31, 2002. Its market share of the number of small business loans in 2002 was 1.03 percent and 7.69 percent by dollar, compared to its overall market share of deposits of 4.57 percent. NBR's average loan size for small business loans is large at \$193 thousand compared with the average of \$26 thousand for other lenders. In the NBR Main AA, 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 37.25 percent of the market share. The bank originated an adequate 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

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 loans to businesses in moderate-income tracts was 20.34 percent, which exceeds the 15.12 percent of the businesses located in moderate-income tracts. Its market share in moderate-income tracts was 1.86 percent, which exceeded the overall market share of 0.96 percent. It is also doing an excellent job in moderate-income tracts considering the fact it has very few branches in those tracts.

Home Mortgage Loans

Refer to Table 2 Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity.

Overall, home mortgage lending by income level of geography is good. Home mortgage refinance loans accounted for nearly 43 percent of all the bank's home mortgage loans made in NBR Main AA. Home improvement loans accounted for nearly 38 percent of all the bank's home mortgage loans in the NBR Main AA. Home purchase refinanced loans accounted for nearly 14 percent. After the divestiture of its mortgage company in 1999, the bank's annual home mortgage volume dropped by about 85%. With the decreased resources devoted to this kind of lending, and decreased volume, it is much harder for the bank to compete, particularly since it lacks any affordable home loan products.

The distribution of home mortgage refinance loans in moderate-income tracts is good. Applicants in moderate-income census tracts received 8.26% percent of the number of home refinance loans, and that is above the 7.03 percent of the owner occupied housing units located in these tracts. Its 0.09 percent market share of home purchase loans in moderate-income census tracts is less than overall market share of 0.12 percent. However, the comparison to the percentage of owner-occupied housing units within each income level of geography is generally a better indicator of lending opportunities than market share, since that measures performance over a much longer period.

The second largest category of home mortgage lending is home improvement loans. Geographic distribution of home mortgage lending is good in moderate-income tracts. The percentage of the bank's home mortgage refinance loans in moderate income tracts (41.05 percent) is higher than the proportional share of owner occupied housing units in those tracts (7.03 percent). Market share covers only 1 year, lack of affordable home loan products, and the bank's relative modest annual volume 32 loans compared to the size of the AA makes it difficult to penetrate all tracts indicating below average responsiveness. There are no low-income census tracts in the NBR Main AA.

The distribution of home purchase loans in moderate-income tracts is good. Applicants in moderate-income census tracts received 28.57 percent of the number of home purchase loans, which is higher than the 7.03 percent of the owner occupied housing units located in these tracts. Its 0.05 percent market share of home purchase loans in moderate-income census tracts is less than its overall market share of 0.09 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. Modest annual volume of 12 loans to try to penetrate 60 tracts in the AA makes it hard to achieve good penetration in all areas.

The geographic distribution of multifamily loans was not performed considering the overall low number of multifamily loans originated or purchased in the assessment area.

Lending Gap Analysis

We did not identify 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.

Inside/Outside Ratio

The bank's concentration of lending activity within its assessment area is good. National Bank of the Redwoods made 93% of its reported small loans to businesses to borrowers located within its assessment area.

Distribution of loans by Income Level of the Borrower

Refer to Table 11 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.

Small Loans to Businesses

The bank has an adequate record of lending to smaller businesses that have revenues of less than \$1 million. In the NBR Main AA, 38.11 percent of the number of small loans to businesses loans was to businesses with revenues of less than \$1million. Demographics show that that 73.13 percent of the small businesses in the assessment area have revenues of less than \$1 million however, many of these businesses do not borrow, and many are served by financial institutions that offer business credit cards. The bank's market share reflects good performance in lending to smaller businesses compared to other lenders. For example, the bank's 1.39 percent market share of loans to businesses with revenues of \$1 million or less is higher than the overall market share of .96 percent.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is adequate.

The distribution of home refinance loans to low-and moderate-income borrowers is adequate. Of the bank's home refinance loans 10 percent and 8 percent (by count) came from low-and moderate-income applicants, while low and moderate-income families make up 17.10 percent and 19.09 percent of the population, respectively. The market profile table shows that median housing value for the assessment area was \$205,923. The HUD adjusted median family income for 2002 is \$63,400.

The distribution of home improvement loans to low and moderate-income borrowers is also adequate. During the evaluation period, 2.33 percent and 12.79 percent of the home mortgage refinance loans were to low- and moderate-income families respectively.

During the evaluation period, the bank originated/purchased only 35 home purchase loans. The distribution of home purchase loans to low- and moderate-income borrowers is low mainly because NBR's home mortgage lending portfolio has declined since the retail mortgage unit was sold in 1999.

A distribution analysis of multifamily loans by income level of the borrower was not performed considering the overall low number of multifamily loans originated or purchased in the assessment area.

Community Development Lending

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

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 nine community development loans within the NBR Main assessment area totaling close to \$6 million.

The bank has been highly responsive as these community development loans help to meet important credit needs of the assessment area, particularly for affordable housing and community services. Seven of the bank's community development loans totaling 3.4 million are for affordable housing purposes. The remaining two loans totaling 2.5 million are to finance organizations that provide community services that are targeted to low- and moderate-income individuals.

Product Innovation and Flexibility

During this evaluation period, National Bank of the Redwoods did not offer any innovative or flexible loan products that enhanced its ability to meet the credit needs of low- or moderate-income individuals or geographies. However, certain community development loans contained innovative or flexible aspects such as providing working capital for a low- to moderate-income housing organization trying to maintain the low- and moderate-income tax status of the one of the housing projects.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited scope reviews, the bank's performance under the Lending Test in Lake and Mendocino assessment areas is low satisfactory 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 12 business loans in Lake County during the 25-month evaluation period totaling 2.4 million. Home mortgage lending is also very limited. The overall low volumes of lending are the result of the low number of small businesses operating in Lake County. Due to this factor, the weaker performance in Lake County did not adversely affect the bank's overall Lending Test rating.

INVESTMENT TEST

Conclusions for Area Receiving Full-Scope Reviews

Refer to Table 14 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 "**Outstanding.**" This is based on the following factors:

- The volume of investments is excellent 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, and opportunities for investment are limited.

Dollar amount of qualified investments

NBR has an excellent level of qualified investments that benefit the Santa Rosa assessment area. Since the previous evaluation, the bank made 102 qualified investments totaling \$3.5 million, which represents a significant allocation of resources in the context of limited opportunities. This is over 3 times the prior examination's activity. We considered the prior examination's activity good.

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. 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.

- Mortgage Backed Security: Pool of Mortgaged back securities made up of eleven qualified single family residential loans in Sonoma County. NBR purchased nearly \$2 million of these securities, which were issued to build affordable single family 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.
- Equity investment in California Affordable Housing Fund: This entity owns properties designed to provide affordable housing to individuals and families whose income are no greater than 30% to 60% of Area Median Income. Properties are located in the counties of Santa Clara, Sonoma and Sacramento.

Conclusions for Area Receiving Limited-Scope Reviews

Refer to Table 14 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 "Outstanding" 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 NBR Main AA and the competition for the few opportunities is intense. Accordingly, this performance did not adversely affect the overall rating of the bank.

SERVICE TEST

Conclusions for Area 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.
- Bank services are tailored to the needs of the assessment area and do not vary in a way that would inconvenience portions 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 15 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.

Branch Distribution

The bank's branches are accessible to essentially all of the assessment areas. No branches have been opened or closed since the prior Community Reinvestment Act Performance Evaluation. Five of the seven branches of the bank are located in the NBR Main AA. 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 lives 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.

Alternate Delivery Systems

NBR's retail services and alternate delivery systems are responsive to the needs of the community. Alternative delivery systems include, online banking, bank-by-appointment after hours and at customer's 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. 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. The bank does not maintain information about whether alternative delivery systems enhance the provision of financial services to LMI persons.

Community Development Services

The bank has a good level of community development services that are responsive and supportive of the needs in the assessment area. Bank management encourages employees to participate in community activities. Bank employees, particularly senior bank employees, take an active role in the community; providing services to meet the needs of individuals and businesses of all income levels within the assessment area. Officers and employees of the bank provided financial expertise and technical support to numerous nonprofit and community groups primarily targeted to low- and moderate-income persons.

Conclusions for Areas Receiving Limited-Scope Reviews

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. 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 non-metropolitan 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”).

| | | |
|---|--|--------------------------|
| Time Period Reviewed | Lending Test (excludes CD Loans): (1/01/00 to 12/31/02) Investment and Service Tests and CD Loans: (11/15/00 to 11/17/03) | |
| Financial Institution | Products Reviewed | |
| National Bank of the Redwoods (NBR) Santa Rosa, California | Home Mortgage, small business loans. | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| N/A | N/A | N/A |
| List of Assessment Areas and Type of Examination | | |
| Assessment Area | Type of Exam | Other Information |
| Santa Rosa MSA #7500 | Full Scope | N/A |
| Nonmetropolitan Areas | Limited Scope | |
| Lake County Mendocino County | Limited Scope | |

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

National Bank of the Redwoods Main Assessment Area1

National Bank of the Redwoods Main Assessment Area.

| Demographic Information for Full Scope Area: National Bank of the Redwoods Main | | | | | | |
|---|---------|------------------------------------|-----------------|---------------|--------------|------------|
| 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 | 30,910 | 0.00 | 15.12 | 69.70 | 15.18 | 0.00 |
| Farms by Geography | 1,334 | 0.00 | 6.07 | 80.66 | 13.27 | 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 | | 205,923 | | |
| HUD Adjusted Median Family Income for 2002 | 63,400 | Unemployment Rate (1990 US Census) | | 2.49% | | |
| Households Below Poverty Level | 6.75% | | | | | |

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

Source: 1990 US Census and 2002 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, 2003 Consolidated Report of Income and Condition, it reported approximately \$356 million in total deposits received from Sonoma County. These deposits represent 76 percent of its total deposits. In addition, the bank originated/purchased XX% 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 2000 showed a median housing value of \$273 thousand. However, according to the 1999 Sonoma County Consolidated Plan, the median price of home resales at the end 2002 was estimated at \$259 thousand.

According to the Santa Rosa Chamber of Commerce Community Economic Profile, the unemployment level for the MSA was estimated at 2.8 percent for 2000. Sonoma County’ 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 is approximately 450 thousand.

Appendix C: Tables of Performance Data

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 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 MA/assessment area. Tables without data are not included in this PE.

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 MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- 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 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 Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. 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 share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) 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 share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. 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 MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. 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 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) 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 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table 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 households within each geography. For borrower distribution, the table 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 of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. 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.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

Table 15. 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 MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

| LENDING VOLUME | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | |
|----------------------------|-------------------------------------|-----------------------|------------|---------------------------|------------|---|------------|-------------------------------|------------|-----------|
| MA/Assessment Area (2002): | % of Rated Area Loans (#) in MA/AA* | Home Mortgage | | Small Loans to Businesses | | Small Loans to Farms | | Community Development Loans** | | Total Rep |
| | | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | |
| Full Review: | | | | | | | | | | |
| National Bank of the Redw | 75.60 | 253 | 56,232 | 349 | 64,485 | 24 | 4,434 | 0 | 0 | 626 |
| Limited Review: | | | | | | | | | | |
| NBR Lakeport | 4.47 | 20 | 3,156 | 12 | 2,381 | 5 | 615 | 0 | 0 | 37 |
| | 19.93 | 64 | 9,654 | 78 | 12,437 | 23 | 2,236 | 0 | 0 | 165 |

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From November 15, 2000 to November 17, 2003.

*** Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

| Geographic Distribution: HOME PURCHASE | | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | |
|--|---------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|------|
| MA/Assessment Area: | Total Home Purchase Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Over |
| | # | % of Total** | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 35 | 71.43 | 0.00 | 0.00 | 7.03 | 28.57 | 73.42 | 51.43 | 19.55 | 20.00 | 0 |
| Limited Review: | | | | | | | | | | | |
| NBR Lakeport Branch AA | 8 | 16.33 | 0.00 | 0.00 | 10.95 | 0.00 | 61.41 | 75.00 | 27.64 | 25.00 | 0 |
| NBR Ukiah | 6 | 12.24 | 0.00 | 0.00 | 4.16 | 0.00 | 68.63 | 66.67 | 27.21 | 33.33 | 0 |

* Based on 2002 Peer Mortgage Data: US & PR.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

| Geographic Distribution: HOME IMPROVEMENT | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | | |
|---|------------------------------|-----------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|--------------|---------|
| MA/Assessment Area: | Total Home Improvement Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall |
| | # | % of Total** | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 95 | 74.22 | 0.00 | 1.05 | 7.03 | 41.05 | 73.42 | 43.16 | 19.55 | 14.74 | 2.69 |
| Limited Review: | | | | | | | | | | | |
| NBR Lakeport Branch AA | 0 | 0.00 | 0.00 | 0.00 | 10.95 | 0.00 | 61.41 | 0.00 | 27.64 | 0.00 | 0.00 |
| NBR Ukiah | 33 | 25.78 | 0.00 | 0.00 | 4.16 | 18.18 | 68.63 | 69.70 | 27.21 | 12.12 | 17.14 |

* Based on 2002 Peer Mortgage Data: US & PR.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

| Geographic Distribution: HOME MORTGAGE REFINANCE | | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | |
|--|-------------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|---------|
| MA/Assessment Area: | Total Home Mortgage Refinance Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall |
| | # | % of Total** | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 109 | 76.76 | 0.00 | 0.92 | 7.03 | 8.26 | 73.42 | 74.31 | 19.55 | 16.51 | 0.12 |
| Limited Review: | | | | | | | | | | | |
| NBR Lakeport Branch AA | 12 | 8.45 | 0.00 | 0.00 | 10.95 | 0.00 | 61.41 | 50.00 | 27.64 | 50.00 | 0.25 |
| NBR Ukiah | 21 | 14.79 | 0.00 | 0.00 | 4.16 | 19.05 | 68.63 | 33.33 | 27.21 | 47.62 | 0.37 |

* Based on 2002 Peer Mortgage Data: US & PR.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 5. Geographic Distribution of Multifamily Loans

| Geographic Distribution: MULTIFAMILY | | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | |
|--------------------------------------|-------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|---------|
| MA/Assessment Area: | Total Multifamily Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall |
| | # | % of Total** | % of MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 14 | 77.78 | 0.00 | 0.00 | 10.38 | 50.00 | 79.43 | 42.86 | 10.18 | 7.14 | 5.83 |
| Limited Review: | | | | | | | | | | | |
| NBR Ukiah | 4 | 22.22 | 0.00 | 0.00 | 31.46 | 50.00 | 63.75 | 50.00 | 4.78 | 0.00 | 25.00 |
| NBR Lakeport Branch AA | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 |

* Based on 2002 Peer Mortgage Data: US & PR.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

| Geographic Distribution: SMALL LOANS TO BUSINESSES | | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | | |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|---------|---|
| MA/Assessment Area: | Total Small Business Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall | L |
| | # | % of Total** | % of Businesses*** | % BANK Loans | % of Businesses*** | % BANK Loans | % of Businesses*** | % BANK Loans | % of Businesses*** | % BANK Loans | | |
| Full Review: | | | | | | | | | | | | |
| National Bank of the Redwoods Main | 349 | 79.50 | 0.00 | 0.00 | 15.12 | 20.34 | 69.70 | 59.89 | 15.18 | 19.77 | 0.96 | |
| Limited Review: | | | | | | | | | | | | |
| NBR Lakeport Branch AA | 12 | 2.73 | 0.00 | 0.00 | 10.52 | 0.00 | 64.01 | 75.00 | 25.47 | 25.00 | 0.41 | |
| NBR Ukiah | 78 | 17.77 | 0.00 | 0.00 | 20.81 | 35.90 | 67.07 | 51.28 | 12.12 | 12.82 | 1.18 | |

* Based on 2002 Peer Small Business Data: US and PR.

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

*** Source Data - Dun and Bradstreet (2003).

Table 7. Geographic Distribution of Small Loans to Farms

| Geographic Distribution: SMALL LOANS TO FARMS | | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | |
|---|------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|---------|
| MA/Assessment Area: | Total Small Farm Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall |
| | # | % of Total** | % of Farms*** | % BANK Loans | % of Farms** | % BANK Loans | % of Farms** | % BANK Loans | % of Farms** | % BANK Loans | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 24 | 46.15 | 0.00 | 0.00 | 6.07 | 4.17 | 80.66 | 62.50 | 13.27 | 33.33 | 8.84 |
| Limited Review: | | | | | | | | | | | |
| NBR Lakeport Branch AA | 5 | 9.62 | 0.00 | 0.00 | 10.94 | 0.00 | 63.28 | 60.00 | 25.78 | 40.00 | 19.05 |
| NBR Ukiah | 23 | 44.23 | 0.00 | 0.00 | 9.80 | 0.00 | 56.86 | 30.43 | 33.33 | 69.57 | 14.67 |

* Based on 2002 Peer Small Business Data: US and PR.

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

*** Source Data - Dun and Bradstreet (2003).

Table 8. Borrower Distribution of Home Purchase Loans

| Borrower Distribution: HOME PURCHASE | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | | |
|--------------------------------------|---------------------------|-----------------------|----------------------|------------------|---------------------------|---|-------------------------|------------------|------------------------|------------------|---------|
| MA/Assessment Area: | Total Home Purchase Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Overall |
| | # | % of Total** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 35 | 71.43 | 17.10 | 0.00 | 19.09 | 0.00 | 25.39 | 10.00 | 38.42 | 90.00 | 0.09 |
| Limited Review: | | | | | | | | | | | |
| NBR Lakeport Branch AA | 8 | 16.33 | 19.08 | 0.00 | 18.39 | 0.00 | 19.45 | 33.33 | 43.09 | 66.67 | 0.34 |
| NBR Ukiah | 6 | 12.24 | 18.78 | 0.00 | 16.48 | 0.00 | 21.29 | 0.00 | 43.46 | 100.00 | 0.38 |

* Based on 2002 Peer Mortgage Data: US & PR.

** As a percentage of loans with borrower income information available. No information was available for 14.29% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

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

Table 9. Borrower Distribution of Home Improvement Loans

| Borrower Distribution: HOME IMPROVEMENT | | Geography: CALIFORNIA | | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | |
|---|------------------------------|-----------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|---------|
| MA/Assessment Area: | Total Home Improvement Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Overall |
| | # | % of Total** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 95 | 74.22 | 17.10 | 2.33 | 19.09 | 12.79 | 25.39 | 15.12 | 38.42 | 69.77 | 2.45 |
| Limited Review: | | | | | | | | | | | |
| NBR Lakeport Branch AA | 0 | 0.00 | 19.08 | 0.00 | 18.39 | 0.00 | 19.45 | 0.00 | 43.09 | 0.00 | 0.00 |
| NBR Ukiah | 33 | 25.78 | 18.78 | 6.25 | 16.48 | 3.13 | 21.29 | 3.13 | 43.46 | 87.50 | 17.91 |

* Based on 2002 Peer Mortgage Data: US & PR.

** As a percentage of loans with borrower income information available. No information was available for 7.81% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

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

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

| Borrower Distribution: HOME MORTGAGE REFINANCE | | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | | |
|--|-------------------------------------|--------------|-----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|---------|
| MA/Assessment Area: | Total Home Mortgage Refinance Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Overall |
| | # | % of Total** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | % Families*** | % BANK Loans**** | |
| Full Review: | | | | | | | | | | | |
| National Bank of the Redwoods Main | 109 | 76.76 | 17.10 | 10.00 | 19.09 | 8.00 | 25.39 | 23.00 | 38.42 | 59.00 | 0.13 |
| Limited Review: | | | | | | | | | | | |
| NBR Lakeport Branch AA | 12 | 8.45 | 19.08 | 0.00 | 18.39 | 0.00 | 19.45 | 16.67 | 43.09 | 83.33 | 0.29 |
| NBR Ukiah | 21 | 14.79 | 18.78 | 0.00 | 16.48 | 0.00 | 21.29 | 19.05 | 43.46 | 80.95 | 0.43 |

* Based on 2002 Peer Mortgage Data: US & PR.

** As a percentage of loans with borrower income information available. No information was available for 6.34% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

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

Table 11. Borrower Distribution of Small Loans to Businesses

| Borrower Distribution: SMALL LOANS TO BUSINESSES | | Geography: CALIFORNIA | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | |
|--|---------------------------------|-----------------------|---|------------------|---|--------------------------|----------------------------|
| MA/Assessment Area: | Total Small Loans to Businesses | | Businesses With Revenues of \$1 million or less | | Loans by Original Amount Regardless of Business Size | | |
| | # | % of Total** | % of Businesses *** | % BANK Loans**** | \$100,000 or less | > \$100,000 to \$250,000 | > \$250,000 to \$1,000,000 |
| Full Review: | | | | | | | |
| National Bank of the Redwoods Main | 349 | 79.50 | 73.13 | 38.11 | 57.88 | 17.77 | 24.36 |
| Limited Review: | | | | | | | |
| NBR Lakeport Branch AA | 12 | 2.73 | 78.53 | 66.67 | 50.00 | 25.00 | 25.00 |
| NBR Ukiah | 78 | 17.77 | 79.86 | 62.82 | 60.26 | 16.67 | 23.08 |

* Based on 2002 Peer Small Business Data: US and PR.

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

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

**** 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 7.52% of small loans to businesses originated and purchased by the bank.

Table12. Borrower Distribution of Small Loans to Farms

| Borrower Distribution: SMALL LOANS TO FARMS | | Geography: CALIFORNIA | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | |
|---|----------------------------|-----------------------|--|---|--|--------------------------|----------------------------|
| MA/Assessment Area: | Total Small Loans to Farms | | Farms With Revenues of \$1 million or less | | Loans by Original Amount Regardless of Farm Size | | |
| | # | % of Total** | % of Farms*** | % BANK Loans**** | \$100,000 or less | > \$100,000 to \$250,000 | > \$250,000 to \$1,000,000 |
| Full Review: | | | | | | | |
| National Bank of the Redwoods Main | 24 | 46.15 | 86.28 | 54.17 | 54.17 | 20.83 | 25.00 |
| Limited Review: | | | | | | | |
| NBR Lakeport Branch AA | 5 | 9.62 | 83.59 | 60.00 | 40.00 | 60.00 | 0.00 |
| NBR Ukiah | 23 | 44.23 | 87.45 | 73.91 | 73.91 | 21.74 | 4.35 |

* Based on 2002 Peer Small Business Data: US and PR.

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

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2003).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 11.54% of small loans to farms originated and purchased by the bank.

Table 14. Qualified Investments

| QUALIFIED INVESTMENTS | | | | | | | |
|---------------------------------------|----------------------------|-----------------------|----------------------------|---|-------------------|-----------|------------|
| | | Geography: CALIFORNIA | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002 | | | |
| MA/Assessment Area: | Prior Period Investments * | | Current Period Investments | | Total Investments | | |
| | # | \$(000's) | # | \$(000's) | # | \$(000's) | % of Total |
| Full Review: | | | | | | | |
| National Bank of the Redwoods Main AA | 1 | 750 | 63 | 2,351 | 64 | 3,101 | |
| Limited Review: | | | | | | | |
| NBR Lakeport Branch AA | 0 | 0 | 15 | 0 | 15 | 189 | |
| NBR Ukiah | 0 | 0 | 23 | 205 | 23 | 205 | |

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS | | | | Geography: CALIFORNIA | | | | Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000 | | | | | |
|---|--------------------------------|--------------------|--------------------------------|---|-------|--------|------|---|----------------------|---|-----|-----|-----|
| MA/Assessment Area: | Deposits | Branches | | | | | | Branch Openings/Closings | | | | | |
| | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) | | | | # of Branch Openings | # of Branch Closings | Net change in Location of Branches (+ or -) | | | |
| | | | | Low | Mod | Mid | Upp | | | Low | Mod | Mid | Upp |
| Full Review: | | | | | | | | | | | | | |
| National Bank of the Redwoods Main AA | 76.24 | 5 | 71 | 0.00 | 40.00 | 60.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 |
| Limited Review: | | | | | | | | | | | | | |
| NBR Lakeport Branch AA | 11.56 | 1 | 14 | 0.00 | 0.00 | 100.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 |
| NBR Ukiah | 12.20 | 1 | 14 | 0.00 | 0.00 | 100.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 |

