



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

November 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Lodi, National Association
Charter Number 17868**

**701 South Ham Lane
Lodi, California 95242**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank of Lodi, National Association (BOL)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 31, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

Bank of Lodi, N. A.’s CRA performance is rated “Satisfactory.” We based this evaluation on the following factors: (1) a reasonable loan-to-deposit ratio; (2) a majority of the bank’s lending is within its assessment area; (3) a reasonable geographic distribution of loans within the assessment area; and (4) fair distribution of loans among individuals of different income levels and businesses of different sizes.

DEFINITIONS

Low Income Geographies - Census tracts where the median *family* income is less than 50% of the area median income.

Moderate Income Geographies - Census tracts where the median *family* income is at least 50% and less than 80% of the area median income .

Middle Income Geographies - Census tracts where the median *family* income is at least 80% and less than 120% of the area median income.

Upper Income Geographies - Census tracts where median *family* income is 120% and above of the area median income.

Median Family Income - As determined by U.S. Census Bureau data in 1990.

HUD Median Family Income - Updated U.S. Census Bureau data, determined by the Department of Housing and Urban Development from more recent census tract demographic statistics.

The following table indicates the performance level of **BOL** with respect to each of the five performance criteria.

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

DESCRIPTION OF INSTITUTION:

Bank of Lodi, N. A. (BOL) is a community bank serving the Sacramento/San Joaquin river delta region and adjacent foothills of the Sierra Nevada mountains east of the region. The bank operates six full service branches in the towns of Lodi, Galt, Plymouth, San Andreas, Woodbridge and Lockeford. As of 9/30/97, total assets are **\$142** million, total loans outstanding are **\$63** million and total deposits are **\$129** million. The bank's lending is diverse, with financing for housing, small businesses and small farms, as well as governmentally insured loans for small businesses and small farms. The bank originated 289 loans to date in 1997, of which sixty-four percent are loan originations under \$100 thousand. As seen from the accompanying table, secured real estate and commercial lending activities account for the majority of the bank's loan outstandings as of September 30, 1997.

Loan Type as of 9/30/97	\$	%
Comm'l Real Estate Secured	\$19 million	30%
Comm'l Real Estate	\$12 million	19%
Agricultural	\$12 million	19%
Construction	\$5 million	8%
Individual/Installment	\$3 million	5%
Small Business Administration	\$8 million	13%
Residential Mortgage	\$4 million	6%
Total Loans	\$63 million	100%

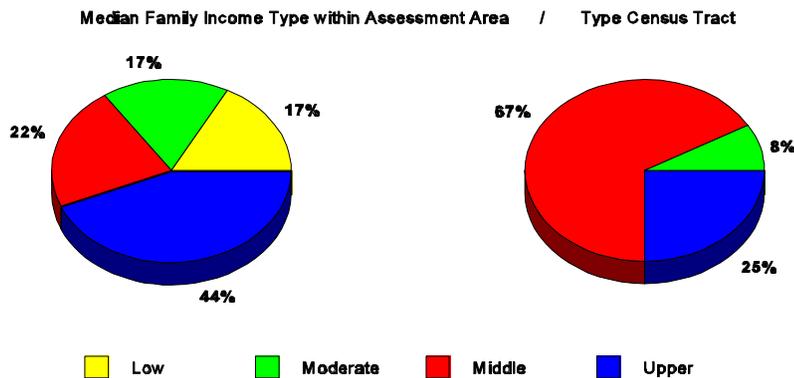
The bank received a Satisfactory rating in its prior evaluation under CRA in 1994. The bank competes with several Stockton and Sacramento-based community banks, and several branches of regional banks. We are not aware of any impediments restricting the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA:

The Board and management have defined the bank's assessment area as portions of the Stockton and Sacramento Metropolitan Statistical Areas (MSAs), and the local geographies surrounding its branches in Amador and Calaveras counties. BOL's assessment area contains 24 contiguous census tracts, with a population of 141,111. The bank has excluded the eastern portions of Amador and Calaveras counties due to the limited populations and geographic limitations. Likewise, the geographies north of the Galt Branch and south of the Lodi Branch are excluded as these markets are reasonably served by larger competitors. This designation complies with the regulation and does not arbitrarily exclude any low- and moderate-income neighborhoods. **Appendix A** lists the bank's branches and the adjoining census tracts.

Many of the census tracts within the assessment area are sparsely populated, rural, and are primarily agricultural. No individual census tract contains more than 8% of the total population within the assessment area. The defined assessment area is relatively affluent, and does not have any census tract designated low income. Two census tracts (8%) are classified moderate income tracts, while 11 are designated middle income (67%) and 3 are upper income (25%). According to the 1990 Census Data, the median family income for these 24 census tracts is \$33,833. This compares to \$34,701 for the entire Stockton MSA (#8120), \$38,850 for the Sacramento MSA (#6920), and \$29,947 for the rural, non-MSA portions of the State of California. In 1995, HUD updated the median family income estimate of the assessment area to \$40,013. The median housing value is \$128,200, which is more than three times the median income.

While middle income geographies constitute the largest geographic segment within the assessment area, low income families reside throughout all type census tracts. Approximately 6,452 families of the 37,372 total families residing within the assessment area are considered low income families. Upper income families predominate at 16,369 or 44%. Census data for 1990 shows the family income types and type census tract distribution as follows:



Dun & Bradstreet economic reports show 5,181 businesses operate within the bank’s assessment area, 80% of which have annual revenues of less than one million dollars. Approximately 70% of the businesses employ less than 5 employees. The government sector is the largest employer within the assessment area, followed by the service industry, retail trade and construction.

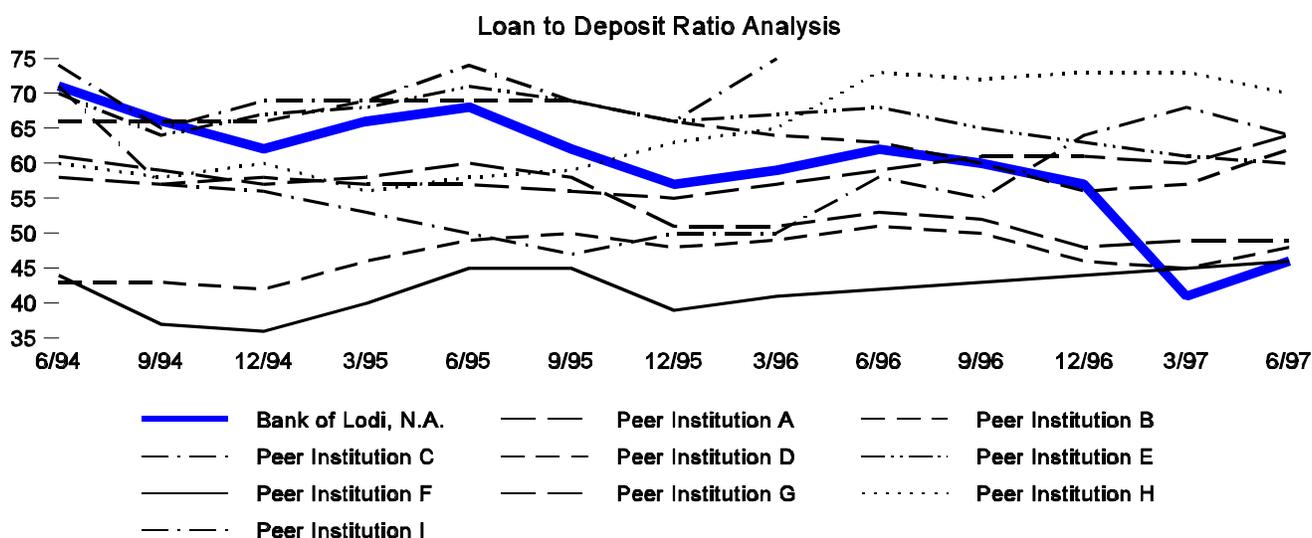
Lodi is the largest population center within the assessment area and has a base of light industry. General Mills has a large food processing plant located in Lodi. Concrete mix, metal products and tire molds are among other products manufactured in Lodi. The medical, financial and retail services within the bank’s assessment area are also concentrated in Lodi.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio:

- **BOL's loan-to-deposit ratio is reasonable compared to peer group averages, given the bank's size, financial condition, and recent branch acquisitions.**

The bank's net loans and leases divided by total deposits averaged 55.4% between 9/30/95 and 6/30/97. This is slightly below the 58% average of a peer group of nine other community banks located in the Sacramento and San Joaquin delta regions. In January 1997, BOL acquired the deposits and fixed assets of three Wells Fargo, N. A. branches in Galt, San Andreas, and Plymouth. This had an adverse effect on the bank's loan to deposit ratio and consequently its peer group position. BOL's pre-acquisition ratio averaged 63%, well above the peer group average. Below shows the loan to deposit comparison:



Lending in the Assessment Area:

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

During 1997, BOL made a majority of its new originations within its assessment area, both by number and dollar amount. The following table reflects the bank's lending pattern within its assessment area year to date in 1997, which is above 1996 performance of 75% by number, and 55% by dollar.

Lending Inside and Outside the Assessment Area in 1997				
	# of Loans	# %	\$ of Loans	\$ %
Inside	230	79.6%	\$22,717,305	60.5%
Outside	59	20.4%	\$14,825,863	39.5%
Total	289	100.0%	\$37,543,168	100%

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

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

The bank's business loans are reasonably distributed among businesses of different sizes. BOL lends primarily to businesses. Thus, our analysis of the bank's lending performance gives the most weight to this loan category. Small businesses or farms are defined as entities which generate less than one million in annual gross revenues.

Of the 289 new loan originations BOL made this year, 153 or 53% were business or farm type loans. Of the business or farm type loans, 98 or 64% were loans under \$100 thousand, typically the type of financing necessary for small businesses and small farms.

Our judgmental review of 30 loan files from the above originations shows that of the business loans reviewed, 71% were made to small businesses and farms. This level of lending compares reasonably to Dun & Bradstreet's information that of the total entities within the bank's assessment area, 80% are small businesses or have less than one million in annual gross revenues. A further evidence of BOL's satisfactory lending activity to small farms and businesses are the approximate 29% and 17% renewals of agricultural and Small Business Administration loans, respectively.

The bank's consumer loan originations reflect a satisfactory penetration among borrowers of different income levels. Fifty-eight, or 20% of the 289 originations in 1997, were made to consumers on an installment basis. Another 66 originations, or 23%, were residential real estate loans reportable under the Home Mortgage Disclosure Act (HMDA). Of the non-HMDA reportable loans, 8% were made to low income borrowers, 8% to moderate income borrowers, 40% to middle income borrowers, and 44% to upper income borrowers. The table below shows BOL's HMDA lending activity vs. the demographic make-up of its assessment area.

HMDA Loans - Borrower Income Levels				
	Low	Moderate	Middle	Upper
# of Loans	6	10	22	64
% of Loans	6%	10%	22%	63%
% Type Families	17%	17%	22%	44%

Geographic Distribution of Loans:

- **The geographic distribution of loans reflects reasonable dispersion throughout Bank of Lodi, National Association’s assessment area.**

The geographic distribution of credit reflects reasonable dispersion of the loans within the various income-type tracts in the bank's area. A substantial majority of the bank's lending is in the immediate communities surrounding Lodi, which are predominantly middle income tracts. The tables below shows the reasonable geographic distribution of the bank’s HMDA and non-mortgage loan originations.

Geographic Distribution of HMDA Reported Real Estate Loans			
Type Tract	Moderate	Middle	Upper
# of Loans	5	66	34
% of Loans	5%	63%	32%
% Type Census Tracts	8%	67%	25%

Geographic Distribution of Portfolio Loans			
Type Tract	Moderate	Middle	Upper
# of Loans	0	18	9
% of Loans	0%	67%	33%
% Type Census Tracts	8%	67%	25%

Response to Complaints:

Management has not received any complaints from its community in regards to the bank's CRA performance since the last CRA evaluation conducted in March of 1994.

Other Items:

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

Appendix A

Listing of the Bank of Lodi, National Association Branches:

Lodi Main Branch	701 South Ham Street, Lodi
Lockeford Branch	19000 North Highway 88, Lockeford
Woodbridge Branch	18853 North Lower Sacramento Road, Woodbridge
Galt Branch	701 C Street, Galt
Plymouth Branch	9454 Main Street, Plymouth
San Andreas Branch	169 East Charles Street, San Andreas

Census tracts included in the Assessment Areas:

Census Tracts located adjacent to the Lodi, Lockeford, and Woodbridge Branches within the San Joaquin MSA include numbers :

41.01, 41.02, 42.01, 42.02, 42.02, 43.02, 43.03, 43.05, 43.06, 44.01, 44.02, 45.00, 46.00, 47.01, 47.02

Census Tracts adjacent to the Galt Branch within the Sacramento MSA include numbers:

94.01, 94.02, 95.00

Census Tracts adjacent to the Plymouth and San Andreas Branches within the Amador County include numbers:

2.00, 3.00, 4.00, 5.00

Census Tracts adjacent to the Plymouth and San Andreas Branches within the Calaveras County include numbers:

1.00, 2.00, 3.00

Moderate Income Tracts (2):

44.01, 45.00

Middle Income Tracts (16):

44.02, 42.01, 42.02, 43.02, 43.06, 46.00, 47.01, 47.02, 2.00 (A), 4.00, 5.00, 1.00 (C), 3.00, 94.01, 94.02, 95.00

Upper Income Tracts (6):

41.01, 43.03, 43.05, 44.02, 3.00 (A), 2.00 ©

Description of the Assessment Area:

To the west, Thorton Road, parallel to Interstate 5 from Eight Mile Road, north to Dry Creek. Continuing north, at Dry Creek and New Hope Road, through Galt, to the east along Dillard Road, East on Sloughhouse Road to the El Dorado County line.

The eastern points are from the El Dorado County line, following Shake Ridge Road, Prospect Way Road, San Antonio Road, and Gulch Road to the Mokulemne County line. The southern portion follows the Mokulemne County line, to the Calaveras River, and west along Eight Mile Road between Lodi and Stockton.