

PUBLIC DISCLOSURE

December 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Central California Bank
RSSD #2688895**

**14685 Mono Way
Sonora, California 95370**

**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION	1
PERFORMANCE CONTEXT	
Description of Institution	2
Description of Assessment Areas	3
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	
Scope of Examination	7
Loan-to-Deposit Ratio	7
Lending in Assessment Areas.....	8
Lending by Business Revenue	8
Geographic Distribution of Loans	8
Response to Complaints	9
Compliance with Fair Lending Laws and Regulations.....	9
GLOSSARY OF TERMS.....	10

INSTITUTION

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

The major factors supporting the institution's rating include:

- A reasonable loan-to-deposit ratio
- A majority of loans were originated within the bank's assessment areas
- An excellent level of lending to businesses with gross annual revenues of \$1 million or less
- A reasonable geographic distribution of small business loans

PERFORMANCE CONTEXT

Description of Institution

Central California Bank (CCB) is a \$374 million community bank headquartered in Sonora, California. CCB began operations on April 24, 1998, and became a member of the Federal Reserve System on January 24, 2003. On April 1, 2002, it became a wholly owned subsidiary of Western Sierra Bancorp in Cameron Park. In 2002, CCB purchased four branches from Sentinel Community Bank, a division of Western Sierra Bank, and in 2003 it acquired Central Sierra Bank of San Andreas, California. As a result of these changes, CCB now operates 13 full-service offices which are located throughout the California "Gold Country" Central Valley in the cities of Angels Camp, Antioch, Columbia, Copperopolis, Jamestown, Lodi, San Andreas, Sonora (main office and one branch), Sutter Creek, Turlock, Twain Harte, and Valley Springs. Eight of these offices have ATMs. The bank also operates two loan production offices located in Modesto and Arnold.

CCB provides a full range of banking services to both individuals and businesses, with a focus on developing total banking relationships with its customers. Primarily a commercial lender targeting all businesses in its assessment areas, CCB also has a strong emphasis on residential construction lending. As a community bank, CCB focuses on personalized customer service and leverages customer relationships, referrals and client networks to generate business rather than direct marketing. A full range of loan products is offered, including business lines, loans and leases, commercial and residential construction loans, loans guaranteed by the Small Business Administration and USDA Rural Development Agency. In addition, CCB offers several residential mortgage loan products through a loan brokering program as well as directly extending a full range of consumer purpose loans, including home equity loans and lines of credit.

The table below shows the loan portfolio composition as stated in the September 30, 2003 Consolidated Reports of Condition and Income. The information in the table depicts the strategic focus on commercial and construction lending as well as the much smaller emphasis on consumer lending.

Loan Type	Dollar Amount ('000s)	Percent of Total Loans
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$109,021	43.9%
Construction & Land Development	\$89,620	36.1%
Secured by 1-4 Family Residential Real Estate	\$37,999	15.3%
Agriculture & Farmland	\$5,112	2.1%
Multifamily Residential Real Estate	\$3,743	1.5%
Consumer Loans & Credit Cards	\$2,857	1.2%
Total (Gross)	\$248,352	100.0%

The mergers and acquisitions detailed above resulted in changes to the banks defined assessments areas. The bank now serves three assessment areas as follows:

- *Tuolumne - Calaveras* which consists of Tuolumne and Calaveras counties in their entirety;
- *Stanilaus* which consists of Stanislaus County, the Modesto MSA, in its entirety; and
- *Contra Costa* which consists of Contra Costa County in its entirety.

There are no legal or financial impediments that would prevent CCB from helping meet the credit needs of its assessment areas consistent with its business strategy, size, financial capacity, and local economic conditions. The bank received a satisfactory rating at its previous CRA examination conducted by the Federal Deposit Insurance Corporation as of December 15, 1999.

Description of Assessment Areas

As previously described, CCB has defined three assessment areas: Tuolumne-Calaveras, Stanislaus, and Contra Costa. Each assessment area is individually described below.

Tuolumne-Calaveras Assessment Area

The Tuolumne-Calaveras assessment area is composed of Tuolumne and Calaveras Counties in their entirety. Tuolumne County lies on the western slope of the Sierra Nevada Mountains and includes the Columbia State Historic Park, the Stanislaus National Forest, and part of Yosemite National Park.¹ Calaveras County is located on the eastern side of California's Central Valley in the Mother Lode region of the Sierra Nevada Mountains.² The counties are mostly unincorporated and include the cities of Angels Camp in Calaveras County and Sonora in Tuolumne County. A substantial majority (92 percent) of the population resides in the unincorporated areas of the counties.³ The assessment area contains no low- or moderate-income areas and is composed of 15 middle- and upper-income census tracts.

While CCB is the only bank headquartered in this assessment area, the large number of institutions that compete for banking customers makes it a competitive financial services market. Deposits are concentrated in four financial institutions that collectively hold 59 percent of the market share. CCB garnered \$120 million in deposits, representing 10 percent of the market share as of June 30, 2003, and ranking it third out of 17 banks and thrifts that operate 35 offices in the two-county assessment area.⁴

¹ California Employment Development Department, Labor Market Information by Geography, County Snapshot - Tuolumne County 2003; (accessed December 15, 2003) available from <http://www.calmis.ca.gov>.

² California Employment Development Department, Labor Market Information by Geography, County Snapshot - Calaveras County 2003; (accessed December 15, 2003) available from <http://www.calmis.ca.gov>.

³ California Department of Finance, California County Profiles - Tuolumne County and Calaveras County; (accessed December 15, 2003) available from <http://www.dof.ca.gov>.

⁴ Federal Deposit Insurance Corporation, Market Share and Bank Holding Company, *Summary of Deposits Market Share Report*, June 30, 2003; (accessed December 16, 2003) available from <http://www3.fdic.gov/sod>.

Most employment in Tuolumne and Calaveras counties is concentrated in the government, trade, transportation, and utilities, and leisure and hospitality sectors of the economy. Government, the largest industry, accounted for 4,700 jobs or approximately 28 percent of total employment in 2002. Historically, mining and timber industries dominated the local economy, however, as these industries declined and the local economy adjusted, tourism boosted the importance of the leisure and hospitality sectors that now account for 13 percent of area employment. Yosemite National Park is a large tourist destination in Tuolumne County that attracts thousands of visitors annually and offers a wide variety of recreational activities.

The Tuolumne and Calaveras County economies have remained fairly stable since 1999. The unemployment rates, hovering around 6.5 percent for Tuolumne County and 7.0 percent for Calaveras County, were very similar to California overall. The unemployment rate improved in both counties in 2001; however, unemployment rates returned to previous levels in 2002. Tuolumne County recorded an overall loss of jobs in 2002 as manufacturing, professional and business services, other services, financial activities, information and government all experienced job losses. However, most of these losses were offset by increases in trade, transportation and utilities, education and health services, construction, agriculture, and leisure and hospitality.

In 2002, Calaveras County gained a total of 280 new jobs; however, unemployment rates increased given the growth in the civilian labor force.⁵ Government accounted for 28.6 percent of this growth by adding 80 new jobs, all in local government. The trade, transportation, and utilities industries added 70 new jobs, while educational and health services and other services gained an additional 50 jobs each. According to community representatives, growth in the labor force is driven mostly by immigrants attracted to the area's relatively lower cost of housing.

Demographic and economic information indicates that small businesses are a substantial majority of local businesses. Dun & Bradstreet reports that businesses with gross annual revenues of \$1 million or less accounted for 90 percent of the businesses in the Tuolumne-Calaveras assessment area. Community representatives indicate that businesses need small dollar loans to finance working capital, inventory and equipment loans.

Stanislaus Assessment Area

The Stanislaus assessment area consists of Stanislaus County in its entirety. Stanislaus County, also known as the Modesto MSA, is located in a portion of Central California known as the San Joaquin Valley. The assessment area is bordered by Merced County to the south, San Joaquin County to the north, Santa Clara County to the east and Tuolumne County to the east. The area, composed of 98 census tracts, includes the cities of Ceres, Hughson, Modesto, Newman, Oakdale, Patterson, Riverbank, Turlock, and Waterford.⁶

⁵ California Employment Development Department, Labor Market Information by Geography, County Snapshot - Calaveras County 2003 and Tuolumne County 2003; (accessed December 15, 2003) available from <http://www.calmis.ca.gov>.

⁶ California Department of Finance, California County Profiles - Stanislaus County; (accessed December 15, 2003) available from <http://www.dof.ca.gov>.

The assessment area is a competitive market for financial services. Deposits are concentrated in four financial institutions that collectively hold 54 percent of the market share. CCB is one of the smallest deposit holders, with \$17 million in deposits representing only 0.4 percent of the market share as of June 30, 2003. It ranks 20th out of 23 banks and thrifts that operate 95 offices in the assessment area.⁷

According to 2002 data, trade, transportation and utilities, government, and manufacturing are the largest industries by employment in Stanislaus County. Trade, transportation, and utilities sectors of the economy accounted for the largest share of total industry employment at 19 percent. Government accounted for 15 percent of county employment and manufacturing provided over 13 percent.⁸

Stanislaus' economy continues to struggle. Although the unemployment rate remained stable from 1999 through 2001 at around 10.5 percent, the rate more than doubles that of California's, which was approximately five percent for the same period. In 2002, Stanislaus' employment rate climbed to 11.4 percent; nearly double that of California's at 6.7 percent. The economy's weaknesses stem from an overdependence on the volatile agriculture-related industries as agricultural produce is seasonal and employment ebbs and flows commensurately. The county's manufacturing base, the third largest industry employer, is highly concentrated around nondurable food processing, which also tends to be volatile and low paying.⁹ Economic weaknesses became more pronounced over 2002 with over 4000 manufacturing jobs alone being lost by early 2003.

Demographic and economic information indicates that small businesses are a substantial majority of local businesses. Dun & Bradstreet reports that businesses with gross annual revenues of \$1 million or less accounted for 85 percent of area businesses. Community representatives state that such businesses need loans in small dollar amounts to finance capital formation, working capital, inventory and equipment.

Contra Costa Assessment Area

The Contra Costa assessment area includes Contra Costa County in its entirety. Contra Costa County extends from the northeastern shore of San Francisco Bay east for approximately 50 miles to San Joaquin County. Contra Costa is one of two counties that compose the Oakland MSA. With a population of almost one million, Contra Costa County ranks as California's ninth highest populated county.¹⁰ Trade, transportation, utilities, government and professional and business services are some of the areas predominant industries in 2002. The major share of

⁷ Federal Deposit Insurance Corporation, Market Share and Bank Holding Company, *Summary of Deposits Market Share Report*, June 30, 2003; (accessed December 16, 2003) available from <http://www3.fdic.gov/sod>.

⁸ California Employment Development Department, *Labor Market Information by Geography, County Snapshot - Stanislaus County 2003*; (accessed December 15, 2003) available from <http://www.calmis.ca.gov>.

⁹ *Précis® METRO: Modesto and California* (West Chester, Pennsylvania: Economy.com, August 2003).

¹⁰ California Employment Development Department, *Labor Market Information by Geography, County Snapshot - Contra Costa County 2003*; (accessed December 15, 2003) available from available from <http://www.calmis.ca.gov>.

employment (19.5 percent) was in the trade, transportation and utilities industries. Government provided 18 percent of all employment with professional and business services accounting for 14 percent.¹¹

The assessment area, hard hit by the high tech fallout in the Silicon Valley Area, remained in a post recession pre-recovery period at the end of 2002. Employment continued to fall in the manufacturing and business service sectors, but at slower rates than during the recession. In addition, a port strike interrupted the local transportation industry's post September 11th recovery in employment; however, the finance, insurance and real estate sectors remained strong.¹²

Demographic information indicates that small businesses are a substantial majority of local businesses. Dun & Bradstreet reports that businesses with gross annual revenues of \$1 million or less accounted for 85 percent of area businesses. Community representatives state that such businesses need loans in small dollar amounts to finance capital formation, working capital, inventory and equipment.

¹¹ California Employment Development Department, Labor Market Information by Geography, County Snapshot - Contra Costa County 2003; (accessed December 15, 2003) available from available from <http://www.calmis.ca.gov>.

¹² East Bay Monthly, November 2002 (accessed March 9, 2004) available from <http://www.edab.org/newsletter/m1102.html>.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Scope of Examination

The CRA performance of CCB was evaluated using the small bank examination procedures. The evaluation was based on the following performance criteria:

- Loan volume in comparison to deposits (Loan-to-Deposit Ratio)
- Lending inside and outside the assessment areas (Lending in Assessment Areas)
- Distribution of lending to businesses with different revenue sizes (Lending by Business Revenue)
- Dispersion of lending throughout the assessment areas (Geographic Distribution of Loans)

Responsiveness to consumer complaints was not evaluated, as the bank received no CRA-related complaints.

The CRA performance review was based on small business loans originated between January 1, 2001, and December 31, 2002. Consequently, lending activity from the Central Sierra Bank branches that were acquired subsequent to this time period was not reviewed. During the period of review, CCB operated six full-service branches located in Antioch, Columbia, Sonora, Turlock, and Twain Harte. A total of 315 small business loans originated during the review period were used to evaluate *Lending in Assessment Areas*. A statistical sample of 145 loans extended inside the assessment areas was used for evaluating *Lending by Business Revenue* and *Geographic Distribution of Loans*. This sample included 79 loans from Tuolumne-Calaveras assessment area, 37 loans from Stanislaus assessment area, and 29 loans from Contra Costa assessment areas.

The performance evaluation is based upon a full-scope review of activities in the Tuolumne-Calaveras and Stanislaus assessment areas. Lending in these assessment areas accounted for 86 percent of the bank's total small business lending. Accordingly, performance in these assessment areas received primary consideration when arriving at the overall CRA assessment. A limited scope review of the Contra Costa assessment area was performed given the bank's relatively limited presence and low lending volume in this area. The review determined that performance in the Contra Costa assessment area was consistent with the bank's overall performance.

Loan-to-Deposit Ratio

The loan-to-deposit ratio meets standards for satisfactory performance. The eight-quarter average is reasonable at 78 percent and is comparable to state and local peer averages.

Lending in Assessment Areas

The concentration of loans extended inside the assessment areas meets standards for satisfactory performance. The bank extended the majority of small business loans within the assessment areas, 84 percent by number and 79 percent by dollar volume.

Lending by Business Revenue

Lending by business revenue exceeds standards for satisfactory performance. CCB's overall level of lending to businesses of different sizes in the assessment areas is excellent.

Tuolumne-Calaveras Assessment Area

A substantial majority (81 percent) of the small business loans in this assessment area was extended to businesses with gross annual revenues of \$1 million or less. Comparatively, 90 percent of all businesses within the assessment area are small businesses. This performance also surpassed that of the aggregate market, which extended only 26 percent of its loans to these businesses. Additionally, 53 percent of the loans extended to small businesses were in amounts of \$50,000 or less, which addressed credit needs articulated by community representatives.

Stanislaus Assessment Area

A substantial majority (86 percent) of the small business loans was extended to small businesses, though only 85 percent of area businesses had gross annual revenues of \$1 million or less. This performance was well above that of the aggregate market, which extended only 26 percent of its loans to these businesses. Additionally, 38 percent of the loans extended to small businesses were in amounts of \$50,000 or less, which addressed credit needs articulated by community representatives.

Geographic Distribution of Loans

The geographic distribution of small business loans meets standards for satisfactory performance. Lending patterns reflect a reasonable dispersion throughout the two assessment areas with loans, primarily concentrated around bank branches.

Tuolumne-Calaveras Assessment Area

The geographic distribution of loans in the Tuolumne-Calaveras assessment area is reasonable. Small business loans are primarily concentrated around bank branches; however, because there are no low- or moderate-income census tracts in this assessment area, the analysis of geographic lending patterns is not meaningful nor heavily weighted in the overall assessment.

Stanislaus Assessment Area

The geographic distribution of small business loans is reasonable. Loans were primarily extended near branch offices with no conspicuous gaps in lending patterns. As illustrated by the following table, small business lending in low-income tracts compares favorably with the

distribution of businesses and with aggregate lending. Moderate-income tracts in the area are primarily located in the city of Modesto, but the bank's branch is in Turlock. Given the distance between these two cities and the abundance of banks located in Modesto, the lower level of lending in moderate-income tracts is reasonable.

Low	1.1%	1	2.7%	1.0%
Moderate	22.1%	5	13.5%	18.0%
Middle	55.8%	20	54.1%	56.3%
Upper	21.1%	11	29.7%	24.7%

Response to Complaints

Central California Bank received no complaints relating to its CRA performance since the previous examination. Accordingly, this component was not used to determine the overall performance rating.

Compliance with Fair Lending Laws and Regulations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified at this examination. Additionally, there was no evidence of prohibitive lending practices.

¹³ This comparison does not include the 26 census tracts for which income was not available.

APPENDIX A

GLOSSARY OF TERMS

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Block numbering area ("BNA"): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They 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 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,

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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 householder 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, 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 U.S. 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage 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 refinancings 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.

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.

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, branch distribution).

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 lenders in the MSA/assessment area.

Metropolitan area: Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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.

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.

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

Optional loans: Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes 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.

Small loans to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: 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 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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.

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.