

# **PUBLIC DISCLOSURE**

**December 2, 2002**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Union Safe Deposit Bank  
RSSD # 480563**

**317 East Main Street  
Stockton, California 95202**

**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.*

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## INSTITUTION'S RATING

**INSTITUTION'S CRA RATING:**  
Union Safe Deposit Bank is rated "SATISFACTORY"

*The following table shows the performance level of Union Safe Deposit Bank with respect to the lending, investment, and service tests.*

PERFORMANCE LEVELS	UNION SAFE DEPOSIT BANK		
	PERFORMANCE TESTS		
	LENDING TEST*	INVESTMENT TEST	SERVICE TEST
OUTSTANDING			
HIGH SATISFACTORY	X		
LOW SATISFACTORY		X	X
NEEDS TO IMPROVE			
SUBSTANTIAL NONCOMPLIANCE			

\*The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

The major factors supporting the institution's rating include:

- Strong geographic distribution of lending and a good distribution of loans among borrowers of different income categories and businesses of different sizes.
- High number and dollar amount of community development loans that enhanced affordable housing, revitalized low- and moderate-income geographies, and provided services to low- and moderate-income individuals.
- An adequate level of qualified investments and services within the assessment areas.

# INSTITUTION

## DESCRIPTION OF INSTITUTION

Union Safe Deposit Bank (USDB) is a \$1.0 billion community bank established in 1897 and headquartered in Stockton, California. Stockton is located in California's Central Valley, and is approximately 80 miles east of San Francisco and 40 miles south of Sacramento. USDB is one of the oldest and largest community banks in the area. It is a wholly owned subsidiary of USDB Bancorp, a one-bank shell holding company formed on June 19, 1998. USDB was admitted to Federal Reserve membership on January 9, 2002.

USDB, has expanded through internal growth, but aims to offer small community bank service. As of June 30, 2002, USDB total gross loans amounted to \$467.8 million and total deposits were \$729.1 million. Historically the bank has focused on agricultural lending. While agriculture-related businesses have formed the basis of the local economy, other sectors are expanding dramatically. Retail and service are the largest business sectors in the area based on employment and number of firms.<sup>1</sup> The expansion of non-farm businesses and the availability of more affordable housing in the bank's assessment area have attracted many Bay Area and Silicon Valley workers. Reflecting this shift in the local economy, the bank has lessened its concentrations in agriculture loans and focused on commercial and residential real estate lending.

The composition of USDB's loan portfolio as of June 30, 2002 is shown in the following table. It reflects the shift in the bank's focus with the majority of the portfolio consisting of commercial and residential real estate loans.

LOAN TYPE	DOLLAR AMOUNT ('000s)	PERCENT OF TOTAL
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$198,444	42.4%
Secured by 1-4 Family Residential Real Estate	\$131,582	28.1%
Construction & Land Development	\$49,080	10.5%
Agriculture & Farmland	\$44,873	9.6%
Leases	\$19,466	4.2%
Multifamily Residential Real Estate	\$13,180	2.8%
Consumer Loans & Credit Cards	\$8,987	1.9%
All Other	\$2,170	0.5%
<b>Total (Gross)</b>	<b>\$467,782</b>	<b>100.0%</b>

USDB continues to have two assessment areas: San Joaquin County and Stanislaus County. The bank operates 20 branches with 13 in San Joaquin County and 7 in Stanislaus County. Since the previous examination in April of 2001, the bank has opened two new branches, one in each assessment area.

<sup>1</sup> Source: State of California Employment Development Department, *County Snapshot 2001- San Joaquin & Stanislaus*; available at <http://www.calmis.ca.gov>

There are no legal or financial impediments that would inhibit the bank's ability to meet the credit needs of its assessment area, consistent with its business strategy, size and resources, as well as the local economic climate. USDB received a satisfactory rating at its previous CRA examination conducted by the FDIC as of April 17, 2001.

## **SCOPE OF EXAMINATION**

This examination covered the period between January 1, 2001, and June 30, 2002. Additionally, community development investment and service activity was reviewed up to the examination date of December 2, 2002. A full-scope review was performed for both assessment areas. However, performance in San Joaquin County carried the greatest weight in the evaluation. The assessment areas were weighted based on the bank's level of lending and deposit activity within the assessment area. Additional factors considered were the overall presence in the market along with economic and demographic factors. Loans reported by the bank included small business, small farm, home purchase, home refinance and home improvement. Each loan product was assigned a relative weight based on volume and local credit needs. Home purchase, mortgage refinance loans and small business loans had the highest volume and were used in evaluating the bank's performance. Small farm and home improvement loans for both assessment areas generally fewer in number and not a primary business focus of the bank. They were, therefore, excluded from consideration in this performance evaluation.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

Overall performance under the lending test is high satisfactory. Community development lending activities demonstrate good responsiveness, particularly in the San Joaquin assessment area. A substantial majority of loans were extended within the assessment area. Also, the geographic distribution of loans is good and compares favorably to local demographic data and other lenders in the market. Lending activity within the combined assessment areas and the distribution of loans to low- and moderate-income borrowers and small businesses also are good and demonstrate responsiveness to the local credit needs.

#### **Lending Activity**

Lending levels are good given the opportunities and the level of market competition. The bank's loan to deposit ratio has steadily increased over the past eight quarters to 63.0 percent as of June 30, 2002. Exhibit 1 below and Table 1 in Appendix B show USDB's lending activity by product line. Loan volumes in these two assessment areas compare favorably with the bank's share of deposits in these markets. Specifically almost 35 percent of all loans were extended within the Stanislaus assessment area while less than 27 percent of total deposits came from this assessment area.

<b>EXHIBIT 1</b>				
<b>SUMMARY OF LENDING ACTIVITY</b>				
<b>JANUARY 1, 2001 - JUNE 30, 2002</b>				
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>\$ ('000s)</b>	<b>%</b>
HMDA Home Purchase	108	11.4	16,596	11.7
HMDA Refinance	323	34.0	43,428	30.5
HMDA Home Improvement	85	9.0	3,144	2.2
HMDA Multifamily	6	.6	2,551	1.8
<b>Total HMDA-Related</b>	<b>522</b>	<b>54.6</b>	<b>63,168</b>	<b>44.4</b>
<b>Total Small Business</b>	<b>373</b>	<b>39.2</b>	<b>69,363</b>	<b>48.7</b>
<b>Total Small Farm</b>	<b>56</b>	<b>5.9</b>	<b>9,893</b>	<b>6.9</b>
<b>TOTAL LOANS</b>	<b>951</b>	<b>100.0</b>	<b>142,424</b>	<b>100.0</b>

### Assessment Area Concentration

As depicted in Exhibit 2 below, a substantial majority of the bank's loans (based on loan dollar and number) continue to be extended within the assessment areas.

<b>EXHIBIT 2</b>								
<b>LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS</b>								
<b>JANUARY 1, 2001 - JUNE 30, 2002</b>								
<b>LOAN TYPE</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$ ('000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ ('000s)</b>	<b>%</b>
HMDA Home Purchase	98	90.7	14,436	87.0	10	9.3	2,160	13.0
HMDA Refinance	314	97.2	42,235	97.3	9	2.8	1,193	2.7
<b>Total HMDA-Related</b>	<b>412</b>	<b>96.2</b>	<b>56,671</b>	<b>94.9</b>	<b>19</b>	<b>3.8</b>	<b>3,353</b>	<b>5.1</b>
<b>Total Small Business</b>	<b>350</b>	<b>93.8</b>	<b>64,413</b>	<b>92.9</b>	<b>23</b>	<b>6.2</b>	<b>4,950</b>	<b>7.1</b>
<b>TOTAL LOANS</b>	<b>762</b>	<b>94.8</b>	<b>121,084</b>	<b>93.6</b>	<b>42</b>	<b>5.2</b>	<b>8,303</b>	<b>6.4</b>

## Geographic and Borrower Distribution

USDB's lending activity demonstrates a good distribution of loans among the census tracts with no conspicuous gaps. Home purchase and mortgage refinance lending distribution compares favorably to the distribution of owner occupied homes in the low- and moderate-income geographies. Small business lending in low- and moderate-income geographies also was at a higher concentration than the actual distribution of businesses in those geographies. Additionally, the lending distribution compared favorably to the aggregate performance.<sup>2</sup>

The distribution of loan activity also reflects good penetration among borrowers of different income levels and businesses of different sizes. Home purchase and mortgage refinance lending to low- and moderate-income borrowers is reasonable compared to peer and aggregate lending activity. These two products were used as a proxy for mortgage loan demand. USDB's small business lending to business with gross annual revenues of \$1 million or less is also reasonable given the number of businesses in the assessment area. The bank's lending activity to these small businesses also out-performed the aggregate lending activity. The bank's performance in the San Joaquin assessment area was especially strong while activity in the Stanislaus assessment area was adequate.

## Community Development Lending

USDB originated a good level of community development loans during the review period based largely on performance within the San Joaquin assessment area. The bank extended 12 loans totaling \$3.4 million inside its assessment area. In addition, the bank extended three loans totaling \$9.5 million to finance affordable housing throughout the state of California, and to provide services to low- and moderate-income individuals. These loan programs imported areas of the state that included the banks two assessment areas.

## INVESTMENT TEST

Performance under the investment test is low satisfactory. USDB funded an adequate level of community development investment and grant activities through instruments routinely provided by private investors. As shown in Table 8, investment and grant activity during the review period included \$1.0 million in prior period investments, \$1.7 of new investments and unfunded commitments totaling \$1.3 million. Nearly all of these investments funded the creation of affordable housing, a primary credit need in the two assessment areas. In addition, qualified grants and donations (\$80,800 of the total new investments) supported organizations providing services to low- and moderate-income individuals and organizations revitalizing low- and moderate-income geographies.

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<sup>2</sup> 2001 Aggregate CRA Loan Data was used throughout the evaluation as a means to help assess actual lending opportunities and serve as a proxy for loan demand in various markets.

## **SERVICE TEST**

The bank's performance under the service test is low satisfactory. Retail banking services are accessible to essentially all portions of the assessment areas and bank representatives performed an adequate level of community development services.

### **Retail Banking Services**

Branch and ATM systems provide access to bank products and services for effectively all portions of its assessment areas. Seven of the 20 branches (35.0 percent) are located in low- or moderate-income census tracts, as compared to similar concentrations of assessment area population (26 percent) and distribution of census tracts (24 percent). Since the previous examination, USDB has opened two new branches, both of which are located in moderate-income census tracts. Further detail on the distribution of branches is provided in Table 9. All branches offer uniform products and onsite ATM services except one branch located in a retirement home that is open only one day per week. Two offsite ATMs provide banking access in a convenience store and in a remote area of one assessment area. Branch hours provide sufficient access to banking services and do not vary in a way that inconveniences certain portions of the assessment area. In addition, alternative delivery systems accessible to all portions of the assessment areas offer Internet banking, telephone banking, and banking by mail.

### **Community Development Services**

Bank employees participated in an adequate number of community development services. Hours donated by management and staff were concentrated in the San Joaquin assessment area and primarily addressed small business technical assistance needs. These services provided financial expertise on budget and fund raising committees and financial education to small business owners. In the Stanislaus assessment area, one employee supported community development organizations with qualified service hours.

## **COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure compliance with fair lending laws and regulations. The fair lending review performed concurrently with this examination did not find evidence of any discriminatory lending practices.



## **FULL-SCOPE ASSESSMENT AREA CONCLUSIONS**

*For each assessment area where a full-scope review was performed using the examination procedures.*

### **SAN JOAQUIN ASSESSMENT AREA**

#### **DESCRIPTION OF OPERATIONS IN SAN JOAQUIN COUNTY**

The San Joaquin assessment area consists of San Joaquin County in its entirety. San Joaquin County is the northern-most county in California's Central Valley and is located east of the San Francisco Bay Area. Major cities in the assessment area include Stockton, Lodi and Tracy.

The bank obtains a large majority of its deposits (77 percent) from this assessment area with 13 branches, including the main branch, located therein. With 4.4 percent of the area's deposits, the bank ranks fifth out of 26 financial institutions in the area with respect to market share.<sup>3</sup> A local bank with a similar history, and four national banks provide the strongest competition.

Exhibit 3 on the following page depicts certain demographic information obtained from the 1990 U.S. Census and from 2001 Dun & Bradstreet data. This information was used to help develop the performance context for the San Joaquin assessment area.

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<sup>3</sup> Source: Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 2002 (accessed February 12, 2003); available from <http://www3fdic.gov/idasp/main.asp>.

EXHIBIT 3								
ASSESSMENT AREA DEMOGRAPHICS								
SAN JOAQUIN ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	4.4	2,726	2.3	1,125	41.3	25,850	21.8
Moderate-income	29	25.4	29,433	24.9	6,836	23.2	20,493	17.3
Middle-income	46	40.4	53,531	45.2	4,978	9.3	25,326	21.4
Upper-income	30	26.3	32,655	27.6	1,312	4.0	46,676	39.4
Tract not reported	4	3.5	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>114</b>	<b>100.0</b>	<b>118,345</b>	<b>100.0</b>	<b>14,251</b>	<b>12.0</b>	<b>118,345</b>	<b>100.0</b>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	5,028	989	19.7	1.1	3,587	5.3	452	5.6
Moderate-income	42,551	18,671	43.9	20.5	21,491	32.0	2,389	29.4
Middle-income	73,780	43,371	58.8	47.6	27,522	41.0	2,887	35.6
Upper-income	44,915	28,028	62.4	30.8	14,497	21.6	2,390	29.4
<b>Total AA</b>	<b>166,274</b>	<b>91,059</b>	<b>54.8</b>	<b>100.0</b>	<b>67,097</b>	<b>100.0</b>	<b>8,118</b>	<b>100.0</b>
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1451	6.4	1,108	6.5	156	10.1	187	4.4
Moderate-income	4901	21.5	3,751	22.0	423	27.3	727	17.0
Middle-income	9710	42.5	7,291	42.8	596	38.5	1,823	42.7
Upper-income	6783	29.7	4,878	28.6	373	24.1	1,532	35.9
<b>Total AA</b>	<b>22,845</b>	<b>100.0</b>	<b>17,028</b>	<b>100.0</b>	<b>1,548</b>	<b>100.0</b>	<b>4,269</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>		<b>74.5</b>		<b>6.8</b>		<b>18.7</b>		

San Joaquin County is evolving from an agricultural-based economy to a diversified industrial center. Lower labor costs, less expensive office rents, and a lower cost-of-living have attracted businesses from nearby Oakland, Sacramento, and San Jose. Migration into the area from these higher cost Bay Area communities also has increased the demand for retail and service-related industries. In the year 2000, the leading industries were government, services, and retail. These three sectors accounted for 58 percent of the county's total employment.<sup>4</sup> Dun & Bradstreet data for 2002 indicates there are 22,845 non-farm businesses operating in the area. Approximately 74.5 percent of these farms are considered small businesses with gross annual revenues of \$1 million or less.

<sup>4</sup> Source: 2002 Economy.com, Inc.

As indicated, San Joaquin County is an agriculturally rich area. Nationally, it is ranked as one of the top ten agricultural-producing counties.<sup>5</sup> Twenty percent of the nation's milk is produced in San Joaquin County, while their major products include grapes, almonds, tomatoes and asparagus. According to 2002 Dun & Bradstreet data, there are approximately 1,600 farms in the county. Of these farms, 82 percent are considered small farms with gross annual revenues of \$1 million or less. However, diversification of the county's economy has also affected this industry. Specialty foods manufacturing accounts for 30 percent of the economy's manufacturing base. Rising unit prices have reduced overall profits in this industry and increased unemployment as manufacturers have reacted to tighter profit margins.<sup>6</sup> In addition, seasonal variations in agricultural employment have resulted in a 9.4 percent unemployment rate as compared to 6.6 percent for the state.<sup>7</sup>

The price of housing in the assessment area is considerably more affordable than other areas in the State of California. Nevertheless, many low- and moderate-income families still find it difficult to obtain home ownership. According to the California Association of Realtors (CAR), the April 2002 median housing price was \$189,000 as compared to \$190,000 in April of 2001, a negligible decrease. The median income of migrants from Oakland and San Jose are \$41,638 and 44,955, respectively. Based upon a 2002 HUD-adjusted median family income of \$47,500,<sup>8</sup> low- and moderate-income families earn no more than \$23,750 and \$38,000, respectively. At these income levels, many San Francisco Bay Area transplants are able to purchase housing. However, low- and moderate-income persons continue to struggle in terms of qualifying for a mortgage and saving for the required down payment.

Demographic and economic data, including interviews with community representatives, indicate there is a need for small business loans in small dollar amounts and increased affordable housing projects and loans.

## CONCLUSIONS REGARDING PERFORMANCE IN SAN JOAQUIN COUNTY

### LENDING TEST

The bank's lending record in the San Joaquin assessment area demonstrates excellent responsiveness to area credit needs. The distribution of loans by geography was especially notable. Bank performance exceeded aggregate in all areas.

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<sup>5</sup> Source: State of California Employment Development Department, *County Snapshot 2001- San Joaquin*; available at <http://www.calmis.ca.gov>

<sup>6</sup> Source: 2002 Economy.com, Inc.

<sup>7</sup> Source: State of California Employment Development Department, *County Snapshot 2001- San Joaquin*; available at <http://www.calmis.ca.gov>

<sup>8</sup> Source: HUD User Policy Development and Research Information Service, *fy 2002 Income Limits*, available at <http://www.huduser.org/datasets/il>

## Lending Activity

Lending levels are good. USDB actively participates in the small business and home mortgage lending markets within this assessment area. The bank extended 204 small business loans and 339 home mortgage loans in the assessment area during the review period. Refer to Table 1 for more information on the bank's lending activity.

## Lending Distribution by Geography

The geographic distribution of loans demonstrates excellent penetration levels within the assessment area, including low- and moderate-income census tracts. The distribution of small business and home refinance lending was strong while overall home purchase lending is good.

### Small Business Lending

Small business geographic loan distributions are excellent. As shown in Table 4, small business lending within low- and moderate-income geographies matched or exceeded the distribution of assessment area businesses within those tracts. The bank's market share in both low- and moderate-income geographies also exceeds its overall market share for this product. Performance in relation to aggregate data is even stronger. Small business lending in low-income tracts is twice as great as aggregate lending performance. Also, in moderate-income tracts, USDB performance exceeds aggregate performance by two percentage points.

### Home Mortgage Lending

The overall geographic distribution of home purchase and refinance loans is excellent. Although no home purchase loans were originated in low-income census tracts, lending performance in moderate-income tracts is significantly higher than the concentration of owner-occupied units and aggregate performance (Table 2). In addition, USDB market share among all home mortgage originators is less than 0.5 percent.<sup>9</sup> With respect to home refinance loans, Table 3 shows an excellent geographic distribution of loans in relation to owner-occupied housing as well as the performance of other lenders. Home refinance lending in low- and moderate-income census tracts exceeds the percentage of owner-occupied units as well as aggregate performance. In fact, bank performance in low-income census tracts is three times as high as aggregate performance and nearly double that of aggregate performance in moderate-income tracts.

## Lending Distribution by Borrower Income and Business Revenue

The geographic distribution of loans among borrower types reflects an overall good penetration level to borrowers of different income levels and businesses of different sizes. Although small business and home purchase and refinance loans were less than the concentration of assessment area small businesses and low- or moderate-income families, these loan types were similar to aggregate performance levels.

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<sup>9</sup> Source: 2001 Peer Mortgage Data, Western Region

## Small Business Lending

Small business lending to businesses of different sizes is good. As stated earlier, over 74 percent of assessment area businesses report gross annual revenues of \$1 million or less. Performance in this category, as shown in Table 7, demonstrates that over 48 percent of small business loans were originated to designated small businesses. Although this percentage is less than the concentration of assessment area businesses, it compares favorably with the level of small business loans originated by the aggregate market. Aggregate lending performance to businesses of this size was just over 40 percent. Lastly, over 50 percent of these bank loans were made to small businesses in amounts of \$100,000 or less.

## Home Mortgage Lending

The lending distribution of home mortgage loans to borrowers of different incomes is good. Tables 5 and 6 detail the bank's home purchase and refinance activity. As shown, home purchase activity is above aggregate for low-income borrowers and below aggregate for moderate-income borrowers. USDB's market share for home purchase lending for moderate-income borrowers is 0.27 percent, significantly lower than its overall market share of 0.36 percent. With respect to home refinance mortgages, performance with respect to low-income borrowers is slightly below aggregate performance while it is significantly above aggregate for moderate-income borrowers.

Also, to address the affordable housing needs of the area, the bank has developed flexible lending practices to assist low- and moderate-income borrowers obtain home mortgages. For example, for first time low- and moderate-income homebuyers, the bank allows loan-to-value ratios of up to 90 percent. Relaxed debt-to-income ratios and longer amortization schedules also have been established to assist these borrowers ability to qualify for residential mortgage loans. Although not significantly affecting market share, these programs help address a stated need.

## Community Development Lending

During the review period, USDB extended a good level of community development loans. Eight loans totaling \$3.4 million were extended to organizations within the San Joaquin assessment area. These funds will improve the availability of affordable housing, revitalize low- and moderate-income geographies and promote the success of small businesses in the area. The following examples represent some of the qualified activities.

- Financed the purchase of single-family residences by a charitable organization for resell at an affordable price to low- and moderate-income individuals.
- Funded a welfare-to-work program primarily for individuals on public assistance. Participants received classroom instruction on home construction techniques and job placement assistance.
- Provided \$2.0 million in financing to improve existing levees and replace irrigation equipment on an island in the Sacramento River Delta. This activity revitalized a moderate-

income geography by enabling small farms and small businesses to develop land otherwise located in a flood zone.

## **INVESTMENT TEST**

An adequate number of community development investments were made during the review period. In addition to assisting in the provision of affordable housing on a statewide basis, four mortgage-backed securities (totaling \$1.2 million) targeted low- or moderate-income borrowers in the area. Grants totaling \$58,500 supported organizations tackling area problems such as affordable housing, small business financial education, scholarships to needy students, and shelter for the homeless. Examples include a \$5,500 principal reduction grant given to a homeless shelter and a \$4,000 grant to assist a local food bank purchase a new freezer.

## **SERVICE TEST**

Performance under the service test is adequate.

### **Retail Banking Services**

The bank's retail delivery systems are essentially accessible to all portions of the San Joaquin assessment area, including low- and moderate-income geographies. The branch office distribution of 13 offices provides adequate access to services in geographies of different income levels. Five of the 13 branches are located in low- or moderate-income geographies, which compares favorably with a population distribution of 30 percent. Additionally, all alternate forms of delivery mentioned previously are available in this assessment area.

### **Community Development Services**

Community development services reported in the assessment area are adequate. Employees provided community development services by teaching financial education classes, providing budget planning assistance to organizations and organizing efforts to increase small business capacity. In addition, one employee supplied more than 500 hours, as a board member, to an economic development corporation that provided services to small businesses. These services made an impact by increasing the educational and technical assistance needs of small business borrowers.

## STANISLAUS ASSESSMENT AREA

### DESCRIPTION OF OPERATIONS IN STANISLAUS COUNTY

The Stanislaus assessment area consists of Stanislaus County in its entirety. Located in the northern San Joaquin Valley, Stanislaus County is bordered by San Joaquin County on the north, Calaveras and Tuolumne counties on the east, Merced County on the south, and Santa Clara County on the west. There are 98 census tracts in the county; 26 of which have no reported median family income and therefore were not included in the analysis. Major cities in the area include Merced, Modesto, Oakdale, and Turlock.

This is the smallest of the two assessment areas with respect to the bank's deposits as it receives only 26.7 percent of total deposits from the area. The bank operates 7 branches in the county and of the 22 financial institutions located there, ranks 10<sup>th</sup> in deposit share with 3.7 of the market's deposits.<sup>10</sup>

Exhibit 4 on the following page depicts certain demographic information obtained from the 1990 U.S. Census and from 2001 Dun & Bradstreet data. This information was used to help develop the performance context for the Stanislaus Assessment Area.

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<sup>10</sup> Source: Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 2002 (accessed February 12, 2003); available from <http://www3fdic.gov/idasp/main.asp>.

EXHIBIT 4								
ASSESSMENT AREA DEMOGRAPHICS								
STANISLAUS ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	1.0	565	0.6	261	46.2	19,980	21.0
Moderate-income	15	15.3	17,050	17.9	3,581	21.0	16,372	17.2
Middle-income	41	41.8	55,194	57.9	6,052	11.0	20,409	21.4
Upper-income	15	15.3	22,455	23.6	996	4.4	38,503	40.4
Tract not reported	26	26.5	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>98</b>	<b>100.0</b>	<b>95,264</b>	<b>100.0</b>	<b>10,890</b>	<b>11.4</b>	<b>95,264</b>	<b>100.0</b>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	844	207	24.5	0.3	595	1.2	42	0.6
Moderate-income	23,830	10,919	45.8	14.3	11,589	23.5	1,322	19.9
Middle-income	77,031	44,003	57.1	57.8	28,939	58.8	4,089	61.5
Upper-income	30,303	21,000	69.3	27.6	8,104	16.5	1,199	18.0
<b>Total AA</b>	<b>132,027</b>	<b>76,129</b>	<b>57.7</b>	<b>100.0</b>	<b>49,246</b>	<b>100.0</b>	<b>6,652</b>	<b>100.0</b>
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	209	1.1	154	1.1	19	1.6	36	0.9
Moderate-income	4,317	22.3	3,182	22.2	283	23.4	852	22.3
Middle-income	10,959	56.6	8,250	57.6	676	55.9	2,027	53.0
Upper-income	3,845	19.9	2,715	19.0	227	18.8	904	23.7
<b>Total AA</b>	<b>19,350</b>	<b>100.0</b>	<b>14,319</b>	<b>100.0</b>	<b>1,209</b>	<b>100.0</b>	<b>3,822</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>74.0</b>		<b>6.3</b>		<b>19.8</b>	

Stanislaus county's local economy is increasingly diverse. Similar to San Joaquin County, agriculture and agriculture-related companies have historically dominated the area. Along with San Joaquin County, Stanislaus ranks within the nations top ten agricultural counties in terms of gross farm income. However, retail and other services are gaining in importance. Retail and services together account for 46 percent of area businesses. Dun & Bradstreet data for 2002 reports that 19,350 non-farm businesses operate in the area and, of these, approximately 74 percent earn gross annual revenues of \$1 million or less. By contrast, during the same period, there were approximately 1,800 farms operating in the county; 85 percent of them are small businesses.

<sup>11</sup> Source: 2002 Economy.com, Inc.



Fewer new homes and an increasing population have had a negative impact on the availability of affordable housing. The county's median home price in April 2002 was \$169,137, a 13 percent increase from the previous April.<sup>12</sup> According to the August edition of the San Joaquin/Stanislaus Business Journal, new housing permits have decreased 12 percent since 2001 while the county's population grew almost 5 percent between 2000 and 2002.<sup>13</sup> With a 2002 HUD-adjusted median family income of \$46,500<sup>14</sup>, low- and moderate-income families earning \$23,250 and \$37,200, respectively, find home ownership a financial challenge.

In conclusion, a review of economic and demographic data, including discussions with community representatives, reveals that the area is economically diverse with a strong agricultural base. Area credit needs include small business loans in small dollar amounts and seasonal lines of credit. Housing affordability also is a problem facing this county. Additional investments in affordable housing projects and organizations also are needed. Given the cyclical nature of the agricultural business, services targeted to low-income (seasonal) workers and their families would also have a positive impact on the community.

## **CONCLUSIONS REGARDING TO PERFORMANCE IN STANISLAUS COUNTY**

### **LENDING TEST**

Performance under the lending test in the Stanislaus assessment area reflects adequate responsiveness to the area's credit needs.

### **Lending Activity**

In light of area deposits, USDB's small business and home mortgage lending activity is excellent. Thirty-five percent of all loans considered in the review were originated in the Stanislaus assessment area as compared to a deposit concentration of 22 percent. Table 1 details the distribution of small business and home mortgage loans.

### **Lending Distribution by Geography**

The geographic distribution of loans in the assessment area is adequate. Small business, home purchase, and home refinance lending all showed adequate distributions in light of assessment area characteristics.

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<sup>12</sup> Source: California Association of Realtors, Economics, *April 2002 Median Prices*, available at <http://www.car.org>

<sup>13</sup> Source: 2002 Economy.com, Inc.

<sup>14</sup> Source: HUD User Policy Development and Research Information Service, *fy 2002 Income Limits*, available at <http://www.huduser.org/datasets/il>

### **Small Business Lending**

Small business geographic loan distributions are adequate. Although below the concentration of assessment area businesses, the geographic distribution of loans within low- and moderate-income census tracts is similar to aggregate lending levels. As shown in Table 4, this level of lending is commensurate with USDB's an overall market share in low- and moderate-income tracts.

### **Home Mortgage Lending**

The distribution of home purchase and refinance loans by geography is adequate considering the bank's market share and branch network. As shown on Tables 2 and 3, no home purchase or refinance loans were originated in low-income census tracts. This is consistent with the distribution of owner-occupied units (0.3 percent) in low-income tracts. Performance in moderate-income tracts is below the concentration of owner-occupied units and aggregate performance. However, market share data shows that USDB's market share in moderate-income tracts is less than 0.1 percent for both home purchase and home refinance loans. Also, lending patterns were reasonably concentrated around branch offices showing no conspicuous gaps.

### **Lending Distribution by Borrower Income and Business Revenue**

The distribution of loans among borrower types reflects adequate penetration of borrowers of different income levels and businesses of different sizes. Although lower than aggregate, home mortgage lending results reflected adequate responsiveness in of light mitigating factors. Furthermore, lending results reflected good penetration rates to these small businesses.

### **Small Business Lending**

Small business lending to businesses of different sizes, including designated small businesses (gross annual revenues of \$1 million or less) is good. As stated earlier, the percentage of small businesses in the area is 74 percent. Although less than this concentration of business, USDB's lending to small businesses (52 percent) exceeds aggregate performance (37 percent). Moreover, more than 55 percent of small business loans were made in amounts of \$100,000 or less which addressed a stated need. Refer to Table 7 for additional details.

### **Home Mortgage Lending**

Borrower distribution of home mortgage loans is adequate. As shown in Tables 5 and 6, home purchase and home refinance lending activity exceeds aggregate in some areas and falls below aggregate in other areas. Although market share for both home purchase and home refinance loan products is substantially less than 1 percent, it is noted that flexible underwriting standards were implemented to help address affordable housing needs in the area.

## **Community Development Lending**

Community development lending activity is poor. Notwithstanding the statewide community development loans, the bank originated no community development loans in its Stanislaus assessment area during the review period. Publicly available information from CRA Public Evaluations for similarly situated institutions noted available opportunities in small business financing, affordable housing, and services targeted to low- or moderate-income individuals.

## **INVESTMENT TEST**

Community development investments made during the review period were adequate. Similar to the San Joaquin assessment area, investment activity focused on the creation and provision of affordable housing. Two redevelopment bonds (totaling \$410,000) and \$1.7 million in mortgage-backed securities promoted the development of affordable housing throughout the assessment area. Grant activity totaling \$28,000 supported organizations serving the needs of low- and moderate-income individuals.

## **SERVICE TEST**

Performance under the service test is adequate.

## **Retail Banking Services**

The bank's retail delivery systems are reasonably accessible to all portions of the Stanislaus assessment area, including low- and moderate-income geographies. The distribution of the seven offices provides adequate access to those in the assessment area. Two of the branch offices are located in moderate-income geographies. Additionally, alternate delivery mechanisms mentioned previously are also readily available.

## **Community Development Services**

Although the bank provided community development services, the level of participation was low. The impact of these services, which addressed job training, credit counseling and other needs of low- and moderate income individuals, was notable yet limited when considering the size and capacity of the company. During the review period, bank representatives contributed 200 service hours; however, publicly available information indicates that ample opportunities exist, throughout this assessment area, for additional participation.

## 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.

## APPENDIX B

### CORE CRA TABLES

Table 1	Lending Volume
Table 2 & 2a	Geographic Distribution of Home Purchase Loans
Table 3 & 3a	Geographic Distribution of Home Mortgage Refinance Loans
Table 4 & 4a	Geographic Distribution of Small Loans to Businesses
Table 5 & 5a	Borrower Distribution of Home Purchase Loans
Table 6 & 6a	Borrower Distribution of Home Mortgage Refinance Loans
Table 7 & 7a	Borrower Distribution of Small Loans to Businesses
Table 8	Qualified Investments
Table 9	Distribution of Branch Delivery System and Branch Openings/Closings

**Table 1. Lending Volume**

LENDING VOLUME		STATE: CALIFORNIA										Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002	
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans		Total Reported Loans		% of Rated Area Deposits in MA/AA***	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)		
San Joaquin County	65.28	339	41,408	204	36,606	43	7,484	8	3,436	586	85,498	77.44	
Stanislaus County	34.72	163	20,933	146	27,807	6	899	0	0	309	48,740	22.56	
Statewide/Regional Area	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	9,500	3	9,500	N/A	
<b>Full Review:</b>													

\* Loan Data for the sample period of January 1, 2001 to June 30, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.



**Table 2a. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		STATE: CALIFORNIA										Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002		
MA/Assessment Area:	Total Home Purchase Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	Low	Mod	Mid	Upp	
San Joaquin County	74	75.51	1.09	0.00	20.50	27.03	47.63	39.19	30.78	33.78	0.65	16.10	43.79	39.12
Stanislaus County	24	24.49	0.27	0.00	14.34	8.33	57.80	50.00	27.58	41.67	0.25	13.76	57.68	28.30

**Full Review:**

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		STATE: CALIFORNIA										Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002		
MA/Assessment Area:	Total Home Purchase Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	Overall	Low	Mod	Mid	Upp
San Joaquin County	74	75.51	1.09	0.00	20.50	27.03	47.63	39.19	30.78	33.78	0.30	0.00	0.57	0.26
Stanislaus County	24	24.49	0.27	0.00	14.34	8.33	57.80	50.00	27.58	41.67	0.11	0.00	0.05	0.09

**Full Review:**

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* Home purchase loans originated and purchased in the MAA 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 Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE		STATE: CALIFORNIA		Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002											
MA/Assessment Area:	Total Home Mortgage Refinance Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
		#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
San Joaquin County	213	67.83	1.09	1.41	20.50	23.47	47.63	50.70	30.78	24.41	0.50	1.52	0.75	0.60	0.32
Stanislaus County	101	32.17	0.27	0.00	14.34	3.96	57.80	63.37	27.58	32.67	0.37	0.00	0.09	0.43	0.37
<b>Full Review:</b>															

**Table 3a. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE		STATE: CALIFORNIA		Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002											
MA/Assessment Area:	Total Home Mortgage Refinance Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*					
		#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp		
San Joaquin County	213	67.83	1.09	1.41	20.50	23.47	47.63	50.70	30.78	24.41	0.43	12.53	43.39	43.64	
Stanislaus County	101	32.17	0.27	0.00	14.34	3.96	57.80	63.37	27.58	32.67	0.13	9.78	56.91	33.16	
<b>Full Review:</b>															

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* 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 4. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES		STATE: CALIFORNIA				Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002						
MA/Assessment Area:	Total Small Business Loans	Low-Income Geographies	Moderate-Income Geographies	Middle-Income Geographies	Upper-Income Geographies	Market Share (%) by Geography*						
	#	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp		
San Joaquin County	204	6.35	8.82	21.45	42.50	29.69	26.96	1.29	2.67	1.88	1.34	0.92
Stanislaus County	146	41.71	1.08	22.31	56.60	19.88	21.23	1.15	0.00	0.97	1.40	1.06
<b>Full Review:</b>												

**Table 4a. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES		STATE: CALIFORNIA				Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002						
MA/Assessment Area:	Total Small Business Loans	Low-Income Geographies	Moderate-Income Geographies	Middle-Income Geographies	Upper-Income Geographies	Aggregate Lending (%) by Tract Income*						
	#	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp			
San Joaquin County	204	6.35	8.82	21.57	42.65	29.69	26.96	1.29	2.67	1.88	1.34	0.92
Stanislaus County	146	41.71	1.08	22.31	62.33	19.88	21.23	1.15	0.00	0.97	1.40	1.06
<b>Full Review:</b>												

\* Based on 2001 Peer Small Business Data: WE Region.

\*\* 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 (2002).

**Table 5. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		STATE: CALIFORNIA										Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*					
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
San Joaquin County	74	75.51	21.84	2.70	17.32	5.41	21.40	20.27	39.44	71.62	0.36	0.74	0.27	0.37	0.37	
Stanislaus County	24	24.49	20.97	4.35	17.19	4.35	21.42	13.04	40.42	78.26	0.13	0.00	0.07	0.06	0.19	

**Full Review:**

**Table 5a. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		STATE: CALIFORNIA										Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*					
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp		
San Joaquin County	74	75.51	21.84	2.70	17.32	5.41	21.40	20.27	39.44	71.62	1.80	9.78	21.68	66.74		
Stanislaus County	24	24.49	20.97	4.35	17.19	4.35	21.42	13.04	40.42	78.26	1.77	11.22	28.91	58.10		

**Full Review:**

\* Based on 2001 Peer Mortgage Data: Western Region 2.  
 \*\* As a percentage of loans with borrower income information available. No information was available for 1.02% 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 6. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		STATE: CALIFORNIA		Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002											
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Joaquin County	213	67.83	21.84	1.42	17.32	14.22	21.40	27.01	39.44	57.35	0.62	0.20	0.79	0.79	0.55
Stanislaus County	101	32.17	20.97	0.00	17.19	14.14	21.42	26.26	40.42	59.60	0.47	0.00	0.61	0.44	0.47

**Table 6a. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		STATE: CALIFORNIA		Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 2002											
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp	
<b>Full Review:</b>															
San Joaquin County	213	67.83	21.84	1.42	17.32	14.22	21.40	27.01	39.44	57.35	1.94	8.53	22.06	67.48	
Stanislaus County	101	32.17	20.97	0.00	17.19	14.14	21.42	26.26	40.42	59.60	2.39	11.88	25.43	60.30	

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.27% 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 7. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES				STATE: CALIFORNIA		Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 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		Market Share*
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	
San Joaquin County	204	58.29	74.54	48.04	52.94	27.94	2.55
Stanislaus County	146	41.71	74.00	52.05	55.48	21.92	2.06
<b>Full Review:</b>							
						>\$250,000 to \$1,000,000	Rev \$ 1 Million or Less

**Table 7a. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES				STATE: CALIFORNIA		Evaluation Period: JANUARY 1, 2001 TO JUNE 30, 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		Aggregate Lending Data*
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	
San Joaquin County	204	58.29	74.54	48.04	52.94	27.94	8,546
Stanislaus County	146	41.71	74.00	52.05	55.48	21.92	7,552
<b>Full Review:</b>							
						>\$250,000 to \$1,000,000	Rev \$ 1 Million or Less

\* Based on 2001 Peer Small Business Data: WE Region.

\*\* 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 - 2002).

\*\*\*\* 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 5.43% of small loans to businesses originated and purchased by the bank.

**Table 8. Qualified Investments**

QUALIFIED INVESTMENTS		STATE: CALIFORNIA		Evaluation Period: JANUARY 1, 2001 TO DECEMBER 2, 2002				
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments		Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)
<b>Full Review:</b>								
San Joaquin County	0	0	22	761	22	761	1	527
Stanislaus County	2	410	15	943	17	1353	1	789
Statewide/Regional Area	1	638	0	0	1	638	0	0
								% of Total
								27.65
								49.16
								23.18

\* '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 9. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS														STATE:: CALIFORNIA						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 2, 2002					
MA/Assessment Area:	Deposits				Branches						Branch Openings/Closings						Population								
	% 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 -)				% of Population within Each Geography						
	Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	Low	Mod	Mid	Upp					
San Joaquin County	77.44	13	65.00	15.38	23.08	23.08	38.46	1	0	0	+1	0	0	0	0	2.84	27.49	44.03	25.64						
Stanislaus County	22.56	7	35.00	0.00	28.57	57.14	14.29	1	0	0	+1	0	0	0	0	0.80	19.56	57.51	22.08						
<b>Full Review:</b>																									