

PUBLIC DISCLOSURE

February 3, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Valley Independent Bank
RSSD #877369**

**1498 Main Street
El Centro, California 92243**

**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:
Valley Independent Bank is rated "OUTSTANDING"

The following table shows the performance level of Valley Independent Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	VALLEY INDEPENDENT BANK		
	PERFORMANCE TESTS		
	LENDING TEST*	INVESTMENT TEST	SERVICE TEST
OUTSTANDING	X	X	X
HIGH SATISFACTORY			
LOW SATISFACTORY			
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:

- Excellent level and responsiveness of qualified community development activities under each of the three performances tests, with particular strength in those assessment areas where the bank has its greatest presence;
- Excellent distribution of lending among assessment area geographies with a strong record of serving moderate-income areas;
- Overall good record of lending to small businesses and to small farms; and
- Delivery systems reasonably accessible and retail delivery systems reasonably meet needs throughout the bank's assessment areas.

INSTITUTION

DESCRIPTION OF INSTITUTION

Valley Independent Bank (VIB) was established in 1981 and its holding company, VIB Corporation, was incorporated on November 7, 1997. El Centro, California serves as headquarters for the bank and the holding company. With assets of \$1.3 billion as of September 30, 2002, VIB is the largest independent bank in the southeast region of California, and its customer base is closely tied to the agricultural and Mexican border economies.

In 2001, VIB merged with its affiliates, Bank of Stockdale (BOS) and Kings River State Bank (KRSB). Those banks, located in the Central Valley region of California, retain their names and are known as Bank of Stockdale, A Division of Valley Independent Bank, and Kings River State Bank, A Division of Valley Independent Bank. On December 27, 2002, VIB Corporation, the bank's parent company, was acquired by Netherlands based Rabobank. The merger was completed based on a mutual recognition that VIB is ideally suited to further Rabobank's efforts to grow market share in the agricultural markets of California. Similar to VIB, Rabobank has enjoyed success in conducting business in rural, non-metropolitan communities, first in Australia and New Zealand, and recently in Ireland.

As a result of the merger with BOS and KRSB, VIB has grown significantly. Assets increased by over \$330 million, assessment areas expanded from three to seven, and total branches increased from 15 to 24. With this expanded branch network, combined with four loan production offices (LPOs), VIB now serves clientele throughout Fresno, Imperial, Kern, Kings, Riverside, San Diego, and Tulare counties. VIB also operates two additional LPOs outside of its combined assessment areas. These are located in the cities of Carlsbad and Orange. Two other LPOs located in Las Vegas, Nevada and Yuma, Arizona have been closed since the previous examination. Also, the Visalia office was relocated as a result of the merger with KRSB.

The seven assessment areas consist of all or portions of the seven counties where VIB has its branch offices. The new assessment areas are in Fresno, Kern, Kings, and Tulare Counties, while the existing assessment areas are in Imperial, Riverside and San Diego Counties.

VIB's business strategy is to be the "premier bank" in its service area by providing superior customer service and quality financial products for commercial, agricultural, and consumer purposes. Commercial products include letters of credit, short term loans, revolving lines of credit, U.S. Small Business Association loans (SBA), USDA Rural Economic and Community Development Services (RECDs) loans, and export loans. Agricultural products include loans for farm real estate and crop and livestock production, farm equipment loans and leases, and Prudential Program loans. Retail services include auto, personal and home equity loan products as well as standard deposit products. While still offering home mortgage loan products, VIB has been reducing its presence in the mortgage origination market while expanding its commercial and agricultural products and services.

The commercial-based composition of VIB's loan portfolio as of September 30, 2002, is shown in the following table.

LOAN TYPE	DOLLAR AMOUNT ('000s)	PERCENT OF VALUE
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$434,395	50.3%
Construction & Land Development	\$208,253	24.1%
Secured by 1-4 Family Residential Real Estate	\$94,683	11.0%
Agricultural Production & Secured by Farmland	\$63,010	7.3%
Secured by Multifamily Residential Real Estate	\$30,566	3.5%
Consumer Loans & Credit Cards	\$26,045	3.0%
All Other	\$4,257	0.5%
Leases	\$2,422	0.3%
Total (Gross)	\$863,631	100%

There are no legal or financial impediments that would inhibit the bank's ability to meet the credit needs of its communities, consistent with its business strategy, size, resources, and local economic climate. At the most recent CRA examination conducted by this Reserve Bank on February 26, 2001, VIB received a satisfactory performance rating. BOS was rated satisfactory at its November 12, 1997, CRA examination conducted by the Office of Thrift Supervision. KRSB also received a satisfactory rating at its July 1, 1998, CRA examination conducted by the Federal Deposit Insurance Corporation. Both institutions were evaluated using the small bank CRA performance criterion.

SCOPE OF EXAMINATION

This examination covers the period between January 1, 2001, and September 30, 2002. The time period was expanded for community development loans, investments and services and includes activity through December 31, 2002.

Given VIB's commercial and agricultural focus, small business loans and small farm loans were the basis of the lending test evaluation, with the exception of Kern County, where only small business lending was evaluated. The number of small farm loans in Kern was minimal and did not provide enough data to render a meaningful evaluation. Otherwise, small business and small farm loans received equal weighting throughout the evaluation.

Although home mortgage loans were extended, they were few in number and did not allow for a meaningful lending analysis. Therefore, mortgage loans were not considered in this performance evaluation. Table 1 in Appendix B¹ contains loan volume figures for all products by assessment area.

The Fresno, Imperial, Kern and Riverside assessment areas were reviewed using the full-scope examination procedures. All other assessment areas -- Kings, San Diego and Tulare -- were reviewed using limited-scope reviews. The full-scope assessment areas were selected based on

¹ All Tables referenced in this document can be found in Appendix B - Core CRA Tables.

factors such as the level of lending and deposit activity within the specific assessment area. Additional factors considered were overall presence in each respective market, economic and demographic factors, and the bank's strategic goals and objectives.

The Imperial and Riverside assessment areas carried the greatest weight in the performance evaluation, as the bank has its largest branch presence and the greatest overall market share in these areas. Community development activities were similarly concentrated in these areas.

The Fresno, Kern, Kings, and Tulare assessment areas were acquired in conjunction with the aforementioned mergers with KRSB and BOS. As a result, this is the first time these assessment areas are being evaluated under the large bank performance criteria. Prior examinations of the merged affiliates were conducted using the small bank CRA performance test. This evaluation, therefore, gave consideration to the amount of time VIB has had to build a large bank CRA program in these assessment areas and address new performance criterion.

The scope of the evaluations is consistent throughout the evaluation unless otherwise noted.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overall performance under the lending test is outstanding. Lending activity within the combined assessment areas and the geographic distribution of loans were excellent. Overall, the distribution of loans to small businesses and small farms was good with small farm lending in the Fresno area noted as a particular strength. VIB's overall performance is significantly enhanced by the level and impact of its community development lending. Not only did VIB extend a large number of community development loans, these loans often addressed the more pressing community development needs of affordable housing and economic development.

Lending Activity

Lending levels are excellent particularly in light of the weaker economic conditions during the review period. Overall loan volumes in the various assessment areas compare favorably with the bank's share of deposits in each particular market. Also, VIB maintains a loan-to-deposit ratio of 89 percent. Exhibit 1 below and Table 1 in Appendix B show VIB's lending activity during the review period.²

EXHIBIT 1 SUMMARY OF LENDING ACTIVITY JANUARY 1, 2001 - SEPTEMBER 30, 2002				
Loan Type	#	%	\$ ('000s)	%
HMDA Home Purchase	45	37.8	6,536	46.4
HMDA Refinance	40	33.6	5,970	42.3
HMDA Home Improvement	34	28.6	1,591	11.3
HMDA Multifamily	0	--	0	--
Total HMDA-Related	119	9.1	14,097	5.8
Total Small Business	826	63.0	185,788	76.6
Total Small Farm	367	28.0	42,691	17.6
TOTAL LOANS	1,312	100.0	242,576	100.0

Assessment Area Concentration

As shown in Exhibit 2 below, the vast majority of all loans was originated within the assessment areas. The tables in Appendix B contain additional information regarding assessment area lending.

² As previously noted, the volume of HMDA loans is insufficient to develop meaningful conclusions. Given the bank's business strategy and current product line, these lower loan volumes are reasonable.

EXHIBIT 2								
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS								
JANUARY 1, 2001 - SEPTEMBER 30, 2002								
LOAN TYPE	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Total Small Business	826	91.2	162,804	87.6	80	8.8	22,984	12.4
Total Small Farm	367	97.6	42,604	99.8	9	2.4	87	0.2
TOTAL LOANS	1,193	93.1	205,408	89.9	89	6.9	24,530	10.7

Geographic and Borrower Distribution

On an overall basis the bank has an excellent record of lending in different geographic areas, while the record of lending to small business and small farms is slightly less effective. This overall conclusion is based on a variety of performance context issues that affect the individual conclusions in the separate assessment areas. Therefore, the facts and data supporting this overall conclusion are presented within the separate assessment area analyses.

The geographic distribution of small business and small farm loans generally reflected an excellent penetration throughout assessment area geographies, with no significant lending gaps. The level of small business lending in low- and moderate-income areas exceeded the concentration of businesses and the aggregate³ lending performance in all but the Kern County assessment area. Small farm lending performance was based primarily on the excellent performance in the Imperial and Riverside assessment areas.

Though the small business and small farm lending record by revenue size was not as strong as the geographic distribution of loans, lending patterns were generally good in the various assessment areas and compared reasonably with the local demographic data and the aggregate market's performance. Small business lending was the strongest in the Imperial County assessment area. While good overall, the small farm lending in the Fresno County assessment area was excellent. Distributions throughout the assessment areas demonstrated responsiveness to businesses and farms with gross annual revenues equal to or less than \$1 million.

To further address the credit needs of its entire market, including small businesses, small farms and entities located in low- and moderate-income geographies, VIB took steps to augment its direct lending by building partnerships with various government organizations allowing for more flexible loan criteria. While not all-inclusive, the following is a list of the primary

³Aggregate reporters are lenders (e.g., large banks) that are required to report small business lending data. Aggregate CRA loan data for 2001 was used throughout the evaluation as a means to help assess actual lending opportunities and serve as a proxy for loan demand in the various markets. However, aggregate data was not used extensively to evaluate small farm lending in those markets where the bank has a majority of the market share.

programs in which VIB participated. These programs serve all of VIB's markets unless otherwise noted.

USDA Business and Industry Guaranteed Loan Program - This program allows VIB to provide loans to businesses that are designed to improve rural economies. All projects must demonstrate job creation. Rural Empowerment Zones and Enterprise Communities are given priority for funding. The USDA guarantees up to 80 percent of the loan amount and loans range from \$750,000 up to a maximum of \$10 million. The bank has generated 13 loans totaling \$15 million under this program.

SBA 7(a) Loan Guarantee Program - As a preferred lender, VIB provides loans to eligible small businesses that are unable to obtain traditional financing. The SBA provides loan guarantees up to a maximum of \$750,000. The SBA guarantees 80 percent for loans originated in amounts of \$100,000 or less and 75 percent for loan amounts greater than \$100,000. During the review period, VIB originated 43 loans totaling over \$15 million under this program.

SBA 504 Loan Program - The program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. VIB provides 50 percent of the loan proceeds in the form of a loan (absent the SBA guarantee) and the SBA guarantees are provided in the form of a debenture that is delivered through certified development companies. The maximum available SBA debenture is \$1 million for meeting the job creation or community development goal. Since the previous examination VIB has generated 31 of these 504 loans totaling \$14.4 million.

California Southern Small Business Development Corporation - This is a state sponsored loan program that provides businesses in Imperial, Riverside, San Diego and San Bernardino counties with access to flexible financing. In addition, technical assistance is provided to small businesses. This program targets minority-owned, women-owned and start-up businesses with a maximum loan amount of \$375,000. VIB originated one loan under this program for \$66,000.

Community Development Block Grant Program (CDBG) - Annually, VIB commits funds to local communities participating in the CDBG program to help them obtain program funding. The funds must then be used primarily for job creation or retention. After funding is awarded, VIB provides loans located within the targeted communities and the CDBG funds are used to either subsidize the interest or provide gap financing. Two loans were generated under this program for a total of \$1.5 million.

Federal Home Loan Bank - Affordable Housing Program - This program targets affordable housing for low- and moderate-income individuals. Under this program the, FHILB awards grants on a competitive application basis to projects submitted by member banks. VIB is a member bank that submits projects on behalf of local community development organizations. Upon award, VIB executes a tri-party agreement and extends the funds in the form of a forgivable loan to the project borrower. VIB has 14 approved projects totaling \$6.4 million, 4 of which have been disbursed totaling \$3 million.

Future Farmers of America - Junior Livestock Loan Program - This program is designed to assist young entrepreneurs, often minors from low- and moderate-income families, in getting started in business on a small scale. The purpose of the program is to help participants obtain

financing to purchase livestock, feed, and supplies. The program offers flexible terms, such as unsecured loans with low fixed interest rates and no fees. VIB also commits over 200 hours of free service related to this program and will bid on livestock to ensure bid prices reach a fair market price. Additionally, the bank purchases and processes some of these animals for subsequent delivery to shelters and food banks that serve the poor. The bank generated 113 loans totaling \$92,000 under this program.

Since the previous examination VIB also has introduced three new small business products allowing for more flexible financing and designed to address small business credit needs.

VIB Small Business Term Loan – VIB developed this product to meet the credit needs of small business owners who require access to smaller, low-cost loans. Loan amounts can range from \$5,000 to \$35,000, for a term of up to 60 months. No financial statements are required other than what is on the application. VIB generated 11 loans totaling \$217,000.

VIB Small Business Unsecured Line of Credit – The credit line was developed to meet the needs of small business owners who require access to smaller lines of credit at a lower cost. Financial statement requirements and line amounts are the same as the Small Business Term Loan; however, the maximum term is 12 months. A total of 12 lines were extended for a total of \$355,000.

VIB Ready Money – This product was developed to meet working capital needs of small business owners who require affordable short-term financing. The line amount ranges from \$1,000 to \$35,000 for a term of 12 months. No financial statements are required other than what is on the application. Seven loans were generated totaling \$130,000.

Community Development Lending

During the evaluation period, VIB engaged in an excellent level of community development lending by extending 45 community development loans totaling over \$70 million. This amount of lending is high, particularly in comparison to the opportunities as well as the performance of banks of similar asset size and product mix. Furthermore, the community development loans addressed more pressing needs within VIB's communities including affordable housing, revitalization or stabilization of low- or moderate-income areas, economic development for small businesses, and health care services to low- and moderate-income individuals. As such, VIB's community development loans had a significant impact on its communities. These loans assisted in the creation of over 630 jobs and over 220 affordable housing units with the greatest impact occurring in the Imperial assessment area where VIB has its largest presence.

Individual community development loans are discussed in the assessment area that they benefited. However, one community development loan benefited a broader statewide or regional area. Specifically, VIB provided a \$150,000 loan to the California Economic Development Lending Initiative (CEDLI). CEDLI is a for-profit organization established to provide investment capital to small businesses and community organizations. The organization's mission is to create jobs by providing financing to small businesses and to promote economic development and revitalization. During this evaluation period, CEDLI's efforts primarily benefited the Fresno and Kern assessment areas.

INVESTMENT TEST

VIB's performance under the investment test is outstanding based primarily on the dollar value and impact of the qualified investments. The level of investments was high in comparison to opportunities in the assessment areas as well as the performance of other similarly situated institutions. During the review period, VIB made qualified investments totaling over \$12.3 million. In addition, there were prior period investments of \$4.6 million and an unfunded commitment of \$3.0 million. Consistent with VIB's presence in the Imperial and Riverside assessment areas, the greatest volumes of investments were in these areas. However, VIB's investment strategy ensured that investments were made within each of its assessment areas.

Investments were responsive to the more significant needs within the assessment areas. For example, investments supported the needed rehabilitation of two school districts, affordable housing initiatives, and health care services that primarily serve low- and moderate-income geographies, individuals, and families. Additional investments assisted small business development and social service organizations. Individual investments are more fully discussed under each assessment area. However, in conjunction with the CEDLI community development loan, VIB also has an \$89,000 equity investment in the organization.

Included in the aforementioned totals are qualified grants and donations totaling \$335,753. Similarly, these addressed affordable housing, services to low- and moderate-income individuals, revitalization or stabilization of low- and moderate-income areas, and economic development throughout VIB's assessment areas.

SERVICE TEST

Performance with respect to the service test is outstanding. The bank's delivery systems are available to essentially all portions of its assessment areas, and VIB provided an excellent level of community development services.

Retail Banking Services

Branches and other delivery systems are reasonably available to essentially all of the bank's assessment areas. As a direct result of the mergers of BOS and KRSB, the branch network increased from 15 branches to 24. The ATM network increased from 18 to 34 and allows customers to conduct transactions in English and Spanish. Of the 34 ATM's, 23 are full service, 3 are on-site cash dispensers, and 8 are off-site cash dispensers. In addition, 22 of 24 offices have bilingual staff, which allows customers to conduct business in English or Spanish. In late 2001, VIB implemented fully-transactional Internet banking allowing customers to conduct business at any time.

All products and services are tailored to the convenience and needs of the assessment areas. Other factors that enhance accessibility include certain product brochures and marketing information in English and Spanish.

VIB extended normal weekday banking hours to include Saturday as a result of a customer satisfaction survey. Although the vast majority of customers were satisfied with current banking hours, VIB conducted a feasibility study to determine which branches had sufficient activity to support Saturday banking hours. As a result of the study, Saturday hours are now offered at the Southwest Bakersfield, Dinuba, and Reedley offices.

Community Development Services

VIB provided an excellent level of community development services throughout each of its assessment areas. VIB employees participated in numerous activities totaling 3,739 hours (approximately 200 hours per month). Over 60 bank employees provided community development services to 146 different organizations. In addition to the excellent level of services, many of these addressed significant needs in the assessment areas. Services promoted the economic development of small businesses, offered financial services to non-profit organizations and provided financial education to low- to moderate-income individuals. While individual services are discussed in the assessment area they benefited, VIB demonstrated leadership with regard to the provision of the following three community development services that benefited multiple assessment areas.

While individual services are discussed in the assessment area they benefited, VIB did developed three programs to provide financial education to low- and moderate-income persons and small businesses throughout its assessment areas. These programs include the Small Business Mentorship program, the Fraud Awareness Program and the Financial Education Program. These programs include one-on-one training sessions or lectures to larger groups. These programs were relatively new as of the date of this examination. Therefore, their overall impact on the various communities is minimal at this point.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS

VIB is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established polices and procedures are designed to ensure compliance with fair lending laws and regulations. Also, the fair lending review performed concurrently with this examination did not evidence that VIB engaged in any type of discriminatory lending practices.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

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

IMPERIAL

DESCRIPTION OF OPERATIONS IN IMPERIAL

The Imperial assessment area comprises Imperial County in its entirety. Surrounding counties include San Diego on the west and Riverside to the north. The Colorado River forms the eastern boundary of Imperial County and is part of the Arizona-California border. Imperial County's southern border is shared with Mexico. It is the ninth largest county in California and covers an area of 4,284 square miles. The county is one of California's major agricultural producers. The main farming area is in the Imperial Valley, a 1,000-square-mile area that extends from the Mexican border north to the Salton Sea. An extensive irrigation system has been developed, and adequate water is supplied from the Colorado River through the All-American Canal.

VIB operates four of its branches and two LPOs in this assessment area. Branches are located in the cities of Brawley, Calexico, El Centro, and Holtville, while the LPOs are located in Brawley and El Centro. VIB is the sole bank in the city of Holtville.

Imperial County is home to 36.7 percent of the bank's total deposits, the largest percentage in any one assessment area. Additionally, the institution commanded the greatest deposit market share in Imperial County at 34.6 percent. Five other larger multi-state organizations comprise the rest of the deposit base in Imperial County.⁴

Exhibit 3 on the following page depicts certain demographic information obtained from the 1990 U.S. Census and 2002 Dun & Bradstreet data. This information was used to help in developing the performance context for the Imperial assessment area.

⁴ Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 2002, (accessed January 14, 2003); available from <http://www3.fdic.gov/idasp/main.asp>.

EXHIBIT 3								
ASSESSMENT AREA DEMOGRAPHICS								
IMPERIAL ASSESSMENT AREA								
Income Categories	BNA Distribution		Families by BNA Income		Families < Poverty Level as % of Families by BNA		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	3.4	755	2.9	241	31.9	7,710	29.3
Moderate-income	15	51.7	14,948	56.9	874	25.9	4,827	18.4
Middle-income	5	17.2	4,293	16.3	827	19.3	5,043	19.2
Upper-income	8	27.6	6,286	23.9	528	8.4	8,702	33.1
Total AA	29	100	26,282	100	2,470	20.8	26,282	100
Income Categories	Housing Units by BNA	Housing Types by BNA						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,584	808	51.0	4.3	420	3.0	356	9.6
Moderate-income	20,963	10,205	48.7	54.0	8,261	59.3	2,497	67.2
Middle-income	5,672	2,581	45.5	13.7	2,666	19.1	425	11.4
Upper-income	8,340	5,313	63.7	28.1	2,588	18.6	439	11.8
Total AA	36,559	18,907	51.7	100	13,935	100	3,717	100
Income Categories	Total Businesses by BNA		Businesses by BNA & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	61	1.2	46	1.3	3	1.0	12	1.3
Moderate-income	2,803	57.1	2,165	58.9	196	63.2	442	47.9
Middle-income	909	18.5	616	16.8	40	12.9	253	27.4
Upper-income	1,137	23.2	850	23.1	71	22.9	216	23.4
Total AA	4,910	100	3,677	100	310	100	923	100
Percentage of Total Businesses:			74.9		6.3		18.8	

Imperial County is a rural county in southern California that covers 2.7 million acres in the southeast corner of California. According to the 1990 U.S. Census, the county's population was 109,303. The preliminary 2000 census data for Imperial County reports the total population at 142,400, an increase of 36 percent or 33,000 new residents. Imperial is one of the top five growing counties in the State.⁵ However, according to the 1990 U.S. Census, Imperial County was the poorest county in the state.

The county's economic base is dominated by the government, agriculture, and retail trade industries. Government (education, county and city government) is the largest industry in the county, accounting for over 31 percent of the total employment. Agriculture is the second largest industry, accounting for over 24 percent of employment, while retail trade is responsible

⁵ California Employment Department, Labor Market Information Division, *County Snapshot - Imperial 2002*.

for 16 percent of total employment.⁶ Population growth, however, is primarily attributable to the economy's growth in other industries. This trend may continue as recent efforts, such as a new enterprise zone allowing tax exemptions for companies who relocate to the county, have expanded opportunities for manufacturing and technology services.

One of California's top 10 agricultural counties, Imperial County, is a leading producer of raw crops and livestock. As such, the local economy is heavily influenced by the agricultural industry. Employment related to agriculture is often seasonal in nature. However, the county added over 2,800 jobs between 1997 and 2001, many of which were in the retail industry, providing more stability in employment. This job growth is one measure of economic health and recent economic conditions support continued job growth.⁷

Agriculturally oriented counties tend to have greater seasonal variations in employment and as a result, have relatively higher unemployment rates. In 2001, the annual average unemployment rate for Imperial County was 21.3 percent, significantly higher than the state and national unemployment rates of 5.3 percent and 5.8 percent, respectively.⁸ During this evaluation period, the unemployment rate in Imperial County fluctuated between a low of 13.4 percent to its high point of 22.1 percent in September 2002.⁹

Home ownership, particularly for low- and moderate-income persons, in Imperial County continues to be difficult. As illustrated in Exhibit 3 above, 48 percent of the families in Imperial County were considered low- or moderate-income. In addition, 21 percent of all families are living below the poverty level. The nominal incomes of these individuals combined with the relatively high price of housing makes it difficult, if not impossible to qualify for home purchase financing. For example, in December 2001, the median price of a home was \$281,330 and a prevailing interest rate was 6.7 percent and the minimum household income needed to purchase a median priced home was \$71,450.¹⁰ The 2001 HUD-adjusted median family income in Imperial County was \$39,200, which illustrates the difficulty in attaining homeownership.

Discussions with community contacts, the large percentage of small businesses noted in Exhibit 3 above, the number of farms within the assessment area, and other information from various community groups indicates that the most pressing community needs include financing for small businesses and farms, specifically noting the need for micro loan programs, affordable housing programs and economic development initiatives.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ U.S. Department of Labor Statistics, Get Detailed Statistics, Local Area Unemployment Statistics, 2001 to 2002 (accessed March 8 2003); available from <http://www.bls.gov>.

¹⁰ California Association of Realtors®, February 6, 2003, *Housing affordability falls five points in December to 28 percent*, C.A.R. reports, (accessed March 4, 2003); available from <http://www.car.org/index.php?id=MzE3MjQ>.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IMPERIAL

LENDING TEST

Overall performance under the lending testing in Imperial County is excellent. Lending activity and the geographic distribution of loans were excellent. Lending to small businesses and to farms of different sizes was good. Community development lending was excellent and consistently met identified community credit needs.

Lending Activity

Lending levels are excellent. VIB extended the greatest percentage of its total small business and small farm loans in this assessment area. Lending levels also compare favorably to the level of deposits in the county. In fact, 37 percent of total deposits and 44 percent of total lending activity occurred in this area. In addition, the bank maintains significant market share in the county, particularly with regard to small farm lending. Refer to Table 1 for more details on lending activity.

Lending Distribution by Geography

Small Business Lending

Small business geographic loan distributions are excellent and compare very favorably to the distribution of businesses as well as other lenders in the market. Lending distributions reflect a particularly strong performance in the moderate-income tracts where lending levels were better than the aggregate lenders as well as higher than the percentage of small businesses. The low lending levels in the one low-income census tract is reasonable given the limited number of businesses located in this tract and its distance (45 miles) from the nearest VIB branch. As shown in Table 2, these low lending levels also are commensurate with the performance of aggregate lenders.

Small Farm Lending

Small farm geographic loan distributions are excellent with VIB as the leading small farm lender in the county.¹¹ As shown in Table 3, VIB has a 76.9 percent market share of small farm loans in the assessment area. The market share increases to 86.8 percent in moderate-income tracts. Also, small farm lending within moderate-income geographies significantly exceeded the percentage of assessment area farms within those tracts. As stated earlier, an absence of small farm lending in the low-income census tract is explained by the limited opportunities for lending in this census tract and its distance from the nearest VIB branch.

¹¹As previously stated, aggregate lending was not used to evaluate VIB's small farm lending in the Imperial MSA because of its dominant market share. VIB's dominance in small farm lending in the assessment area makes a comparison against the aggregate less meaningful.

Lending Distribution by Borrower Income and Business Revenue

Small Business Lending

Lending to businesses of different revenue sizes is good. As shown in Table 4, over 44 percent of small business loans were originated to businesses with gross annual revenues of \$1 million or less. Although this percentage is less than the concentration of assessment area businesses, it exceeds the level of loans to small businesses originated by the aggregate market. Additionally, VIB's market share of loans to small businesses exceeds its overall market share of small business loans by almost 3 percent. In addition, VIB originated over 50 percent of its small business loans in amounts of \$100,000 or less to businesses with gross annual revenues of \$1 million or less. This is consistent with the identified need for smaller loan amounts for businesses.

Small Farm Lending

Small farm lending levels to farms of different sizes also is good. As stated in Table 5, over 60 percent of farms in this assessment area reported gross annual revenues of \$1 million or less, while over 39 percent of VIB's total small farm loans were extended to these small farms. Although this percentage is less than the percentage of assessment area farms of this revenue size, VIB did garner the top market share of loans to these borrowers. Specifically, the bank obtained a 69 percent market share of all loans to small farms which compares reasonably to its overall assessment area market share of almost 77 percent for this product. VIB also extended 44 percent of its small farm loans in dollar amounts of \$100,000 or less, demonstrating responsiveness to the stated local credit needs for smaller dollar loans to farm entities.

Community Development Lending

VIB made an excellent level of community development loans and took full advantage of available opportunities. These loans were particularly responsive to affordable housing needs as well as those for economic development and community services targeted to low- and moderate-income individuals. As shown in Table 1, a total of 29 community development loans totaling \$48 million were granted in this assessment area. The following represents some of the more significant community development loans.

- A \$12 million construction loan with term financing was extended as part of a larger loan syndication. The loan was provided to a partnership made up of six cattle feed yards and two individuals. The partners joined with local government agencies to jointly subsidize and create a new employment sector of meat packers. The project is expected to create over 600 jobs. In a county where the average unemployment rate is over 20 percent and the average job for the low-income worker is seasonal in nature, this project will have a major impact on the local economy and will provide a significant number of permanent jobs for low- and moderate-income persons.

- Two construction loans totaling over \$6 million were provided for the development of an 80-unit multifamily low-income housing apartment project within the city of Calexico. This project involved VIB applying for a Federal Home Loan Bank grant for which it received an \$800,000 subsidy for this project.
- Four loans totaling \$1.6 million were provided to an organization that provides assistance to over 160 low- and moderate-income mentally handicapped citizens. The loans provided financing for three new vehicles used to transport persons receiving assistance and to fund the relocation and expansion of the organization's main office. Furthermore, this expansion funding is expected to create 20 to 30 new jobs in the near term.
- A \$1.2 million loan was granted for the construction of a hotel project in the city of Westmoreland, an economically distressed area. This project was made possible through funding from VIB along with the city of Westmoreland Redevelopment Agency and a CDBG loan. This project will create eight new jobs and assist in the city's revitalization efforts.
- Construction loan financing totaling \$525,000 was provided for the development of 34 residential lots. These lots will be used for a housing project that will be marketed to low- and moderate-income homebuyers within a designated enterprise community.
- A \$428,000 construction loan was extended to a medical care facility that primarily serves low- to moderate-income patients.

INVESTMENT TEST

VIB made an excellent level of qualified community development investments and grants in the Imperial assessment area. Total new investment activity for this assessment area is shown in Table 6 and totals \$5.6 million. An additional \$1.1 million in prior period investments remain on the bank's books, as does an unfunded commitment for an additional \$3 million.

Current period investments and grants were particularly responsive to the needs of economic development and education and health care for low- and moderate-income persons. The following demonstrates the significant impact these investments had on the assessment area.

- Purchased a \$4 million tax allocation note that was used to provide funds to the Redevelopment Agency of the City of Imperial. The funds will be used to finance redevelopment activities, public infrastructure projects, matching grants for community development block grant business assistance loan grants, blight removal and low- and moderate-income housing projects.
- Purchased a \$595,388 bond used to support the much needed revitalization and modernization of a local high school that primarily serves low- and moderate-income youth.
- Purchased two additional bonds totaling \$535,000 which were used to finance a hospital that provides critical care to low- and moderate-income individuals.

- Over 50 grants and donations totaling \$166,865, which represents 50 percent of total grants and donations provided by the institution. Grants and donations supported the same spectrum of local needs detailed above.

Prior period investments remaining on the bank's books include among others, a tax allocation bond used to support the activities of the Community Redevelopment Agency of the City of Calexico, a mortgage backed security backed by loans to low- and moderate-income individuals and four bonds used to support two elementary school districts that primarily serve low- and moderate-income children.

VIB also has an unfunded commitment of \$3 million to the CRA Fund. The CRA Fund purchases investments with community development as their primary purpose. The fund is designed to promote and expand the secondary market for qualified investments.

SERVICE TEST

VIB's high level of qualified community development services coupled with delivery systems that are reasonably accessible to essentially all portions of the assessment area demonstrates an excellent responsiveness to area service needs.

Retail Banking Services

Retail delivery systems are reasonably available to essentially all portions of the assessment area. VIB operates 4 full-service branches in the county. Standard branch hours are from 9:00 a.m. to 4:00 p.m., Monday through Thursday and 9:00 a.m. to 6:00 p.m. on Friday. Branches are distributed throughout the assessment area with 75 percent of the branches located in moderate-income geographies. Additional delivery mechanisms that enhance accessibility include ATM's, telephone banking and Internet banking. Also, each branch office has Spanish-speaking staff that allows customers to conduct business in Spanish. In areas with a significant Hispanic presence, regulatory posters, marketing materials and product information are available in Spanish.

Community Development Services

VIB provided a substantial level of community development services within the assessment area. Employees and officers were involved in the provision of community development service activities totaling over 1,100 hours. These activities were particularly responsive to affordable housing and the needs of small businesses and low- and moderate-income individuals. Following is a listing of only some of the many service activities.

- A bank officer dedicated a significant amount of time to provide technical assistance including grant writing that resulted in an organization receiving a \$270,000 grant from the Federal Home Loan Bank. The organization provides a variety of social services to low-income migrant farm workers.

- An officer serves on the board of directors for a small business development corporation and further provided technical expertise and guidance by serving as chair of the loan committee.
- A branch manager dedicates 10 hours per month to serve as a board member of a local non-profit that targets underserved, at-risk, low- and moderate-income youth in the city of Brawley. The organization is located in a rural, economically distressed Enterprise Community. The manager assists in bookkeeping, check approvals, payroll and billing. In addition, the manager is developing financial education classes to be offered by the organization.
- Another loan officer dedicates from 2 to 8 hours every month to a police athletic league that promotes services to at-risk youth in low- and moderate-income areas. This employee helps this organization budget for different activities they offer to children and assists with fundraising efforts that are essential for the program's survival.

RIVERSIDE

DESCRIPTION OF OPERATIONS IN RIVERSIDE

The Riverside assessment area consists of 43 of the 124 census tracts within the county. The assessment area is part of the Coachella Valley region of California and borders the Santa Rosa Mountains to the west, the State of Arizona to the east, San Bernardino County to the north, and Imperial County to the south. Riverside County is within the larger Riverside Metropolitan Statistical Area, (MSA) which includes Riverside and San Bernardino counties. The 2000 U.S. Census reports the county's total population at 1.5 million, an increase of 32 percent or 375,000 persons, over 1990 census data. Riverside is the fourth largest and the sixth-highest populated county in California.

Valley Independent Bank operates nine branch offices and one LPO in this assessment area. These offices are located in Blythe, Coachella, Hemet, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, and Thousand Palms. In Coachella and Thousand Palms, VIB is the sole bank serving the community.

The branch network is responsible for 29 percent of VIB's total deposit base. As of June 30, 2002, VIB held 2.0 percent of total deposits within the county, placing it 11th out of the 39 institutions in the county.¹² However, in specific cities within the assessment area, the bank's market share was much larger. As mentioned, VIB has 100 percent of the market share in Coachella and Thousand Palms. Also, VIB holds significant market share in the cities of Blythe (30.0 percent) and La Quinta (12.9 percent).

Exhibit 4 on the following page offers demographic data based on the 1990 U.S. Census and 2002 Dun & Bradstreet data. This information was used to help develop the performance context for the Riverside assessment area.

¹² Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 2002, (accessed January 14, 2003); available from <http://www3.fdic.gov/idasp/main.asp>.

EXHIBIT 4								
ASSESSMENT AREA DEMOGRAPHICS								
RIVERSIDE ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	4.7	2,155	2.2	690	32.0	26,100	26.7
Moderate-income	23	53.5	44,130	45.1	6,000	13.6	21,168	21.6
Middle-income	14	32.6	36,858	37.7	2,929	7.9	20,237	20.7
Upper-income	4	9.3	14,749	15.1	750	5.1	30,387	31.0
Total AA	43	100	97,892	100	10,369	10.6	97,892	100
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	3152	1,189	37.7	1.3	1511	3.0	452	0.8
Moderate-income	79,266	40,345	50.9	42.6	23,754	46.6	15,167	26.8
Middle-income	83,859	36,858	44.7	39.6	19,172	37.6	27,212	48.0
Upper-income	36,068	14,479	43.5	16.6	6,558	12.9	13,826	24.4
Total AA	202,345	97,892	46.8	100	50,995	100	56,657	100
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	247	1	170	0.9	20	1.6	57	0.9
Moderate-income	9,238	35	6,843	36.5	412	32.6	1,983	31.7
Middle-income	10,408	40	7,377	39.4	524	41.5	2,507	40.0
Upper-income	6,361	24	4,337	23.2	307	24.3	1,717	27.4
Total AA	26,254	100	18,727	100	1,263	100	6,264	100
Percentage of Total Businesses:			71.3		4.8		23.9	

Riverside County is diversifying from an agriculturally based economy to one driven more by retail trade and services. Services represent the largest industry in the county, accounting for 26 percent of the total employment, followed by retail trade at 20 percent and government at 19 percent. As of year-end 2001, agriculture accounted for only three percent of total employment. Though the county is no longer dependent on agricultural production, Riverside consistently ranked among the top ten leading agricultural counties in the state; a variety of crops were produced, including milk, grapes, eggs, and dates.¹³

Economic diversity had a positive impact on the unemployment rate. Because Riverside's economy was not totally dependent on agriculture, the county enjoyed one of the lowest unemployment rates in the state. According to the Bureau of Labor Statistics, the annual

¹³ California Employment Department, Labor Market Information Division, *County Snapshot – Riverside 2002*.

unemployment rate for Riverside County in 2001 was 5.2 percent - lower than the state rate of 5.4 percent. During the first nine months of 2002, Riverside's unemployment rates were lower than the state averages. Over this time period Riverside's unemployment rate fluctuated between a low of 5.2 percent in May to its high point of 6.6 percent in September 2002.

Migration of households and businesses into Riverside from the rest of southern California and Latin America was a key factor in the growth of the economy and the population. The Riverside economy did not fall into recession as much of the nation did after the September 11th attacks because the population growth triggered the area's transition from a bedroom community to an expanded business center. A large influx of immigrants from Latin America searching for employment contributed to this population growth. Manufacturing, wholesale trade and transportation firms moved to Riverside, in anticipation of paying lower wages to an unskilled workforce.

The population growth is contributing to the strong housing demand and is generating house-price appreciation that remains in the double digits.¹⁴ While robust housing demand was beneficial for the economy, low- and moderate-income families and individuals now find it difficult, if not impossible, to purchase homes. As illustrated in Exhibit 4 above, 48 percent of the families in Riverside County were considered low- or moderate-income. The 2001 HUD-adjusted median family income was \$50,300. The median price of an existing, single-family home in Riverside during December 2000 was \$143,400.¹⁵ The disparity between incomes and housing prices make homeownership difficult for the low- and moderate-income families.

Based on demographic information, community contacts and assertions from various community organizations, the most pressing community needs include financing of all types for small businesses and farms, affordable housing programs and economic development initiatives.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN RIVERSIDE

LENDING TEST

Overall performance under the lending test is excellent in the Riverside assessment area. VIB's small business and small farm lending activity in the assessment area reflected an excellent distribution of loans among different income geographies. Lending to small businesses was good while lending to small farms was adequate. Finally, VIB made an excellent level of community development loans in this assessment area.

¹⁴ Economy.com, Incorporated, *Précis Metro - Riverside*, December 2002, West Chester, PA, 2001.

¹⁵ California Association of Realtors®, November 7, 2002, *Housing Affordability falls five points in September to 28 percent*, C.A.R. reports, (accessed March 4, 2003); available from <http://www.car.org/index.php?id=MzE0NDI=>.

Lending Activity

Lending levels are good. VIB generated a significant percentage of its total small business loans and small farm loans in this assessment area. As shown in Table 1, these lending levels are reasonable when compared to the level of deposits generated in this assessment area.

Lending Distribution by Geography

Small Business Lending

Small business geographic loan distributions are excellent. As shown in Table 2, small business lending within low- and moderate-income geographies exceeded the distribution of assessment area businesses within those tracts. The bank's market shares in low- and moderate-income geographies also substantially exceed its overall market share for this product. Performance in relation to aggregate data also is strong. VIB extended over 39 percent of small business loans in moderate-income tracts which compares favorably to the aggregate lenders which originated just over 29 percent in this census tract category. Performance in penetrating low-income census tracts exceeds the performance of aggregate lenders by 41 basis points.

Small Farm Lending

While small farm lending also demonstrates excellent distributions into all census tract categories, VIB's ability to penetrate low- and moderate-income census tracts was particularly strong.¹⁶ As shown in Table 3, the bank's market share in low- and moderate-income census tracts significantly exceeded its overall market share for this product. Performance in relation to the distribution of assessment area farms within those tracts is even stronger, particularly in the moderate-income geographies. VIB originated over 57 percent of small farm loans in moderate-income census tracts while just over 43 percent of all farms are located in these geographies.

Lending Distribution by Business Revenue

Small Business Lending

Lending patterns demonstrate a good distribution of lending to businesses of different sizes, including businesses with gross annual revenues of \$1 million or less. Over 71 percent of assessment area businesses report gross annual revenues of \$1 million or less. Performance in this category, as shown in Table 4, demonstrates that over 39 percent of small business loans were originated to these small businesses. Although this percentage is less than the concentration of small businesses in the assessment area, it compares favorably with the level of lending originated by the aggregate market. Aggregate lending performance to businesses

¹⁶ Aggregate lending was not used extensively to evaluate the geographic distribution of VIB's small farm lending low- and moderate-income census tracts in the Riverside MSA. For calendar year 2001, which forms the basis of the aggregate data, VIB made 32.5 percent of all small farm loans throughout the assessment area and 60 percent in both low- and moderate-income census tracts. VIB's dominance in small farm lending in the low- and moderate-income census tracts makes a comparison against the aggregate less meaningful.

of this size equaled just over 33 percent. In addition, VIB originated 50 percent of its small business loans in amounts of \$100,000 or less, thereby consistently making smaller micro loans available to businesses.

Small Farm Lending

The level of lending to small farms is adequate. Farms with gross annual revenues of \$1 million or less comprise over 79 percent of total farms in this assessment area. As shown in Table 5, VIB originated just over 17 percent of its small farm loans to farms with gross annual revenues of \$1 million or less. While this performance is significantly below the concentration of small farms in the assessment area, performance is more reasonable when compared to the market's percentage of loans extended to small farms. Aggregate lending to farms of this size equaled approximately 26 percent. While the overall level of lending to small farms is low, VIB did originate over 78 percent of its small farm loans in amounts of \$100,000 or less.

Community Development Lending

VIB made an excellent level of community development loans. A total of seven community development loans totaling \$9 million were granted in the assessment area. These loans were particularly responsive to the need for affordable housing as well as the need for economic development and community services targeted to low- and moderate-income individuals. Over 90 jobs and 150 affordable housing units were created as a direct result of VIB's community development lending in this assessment area.

The following represents a sample of the more responsive community development loans extended in this assessment area.

- Extended two loans totaling \$3.8 million to finance the construction of an addition to an existing commercial warehouse. The expanded facility is in a low- and moderate-income area and will help create 39 new jobs targeted to low- and moderate-income individuals. Financing was provided in conjunction with the USDA Rural Development Agency's business and industry guaranteed loan program.
- Granted a loan for \$3.6 million to purchase land and construct a travel center in a low- and moderate-income area. The travel center will help the local economy by employing sixty people. As a condition of the USDA grant for permanent financing associated with this loan, all jobs will be targeted for low- and moderate-income people.
- Extended two loans totaling \$761,000 to provide funds to help a local non-profit organization acquire three vacant lots that will be used to develop 120 single-family housing units restricted to low- and moderate-income families. This loan was subsidized by the Federal Home Loan Bank's Community Improvement Program, and the project is also within an empowerment zone.
- Refinanced a loan of \$337,216 to rehabilitate a 29-unit multifamily low-income senior housing project in the city of Rancho Mirage.

- Extended a line of credit for \$250,000 to a non-profit organization that provides affordable housing and other social services to low-income families in the Coachella Valley. The organization primarily targets farm workers. The line will be used for predevelopment costs associated with the multiple housing development projects being undertaken by the organization.

INVESTMENT TEST

VIB made a significant level of qualified community development investments and grants in the Riverside assessment area. As shown in Table 6, VIB has investments of \$5.2 million of which \$3.1 million represents prior period investment and \$2.1 million represents current period investments. VIB purchased four mortgage-backed securities backed by loans to low- and moderate-income borrowers totaling \$1.6 million. The following represent the some of the current period investments other than the mortgage-backed securities already discussed.

- Invested \$204,000 in the Community Redevelopment Agency of the City of Palm Springs 2001 Housing Tax Allocation Bonds. The funds from the bonds are deposited in the agency's "Low- and Moderate-Income Housing Fund." The agency uses this fund to support the creation of housing for low- and moderate-income persons.
- A similar investment of \$250,000 in the City of Hemet Redevelopment Agency Tax Allocation Bond provided funds for the construction of a public library located in the moderate-income area of the city of Hemet. The development of the library is only a portion of a larger community redevelopment project in this city.
- Made 39 qualified grants and donations totaling \$75,081. These grants and donations supported all types of community development purposes.

Prior period investments include a mortgage-backed security backed by loans to low- and moderate-income borrowers, three tax allocation bonds issued to further the community development activities of the City of Hemet and Blythe Redevelopment agencies, and another investment in the Inland Empire Community Development Corporation which provides financing and technical expertise to small businesses in Riverside.

SERVICE TEST

VIB provided an excellent level of qualified community development services. In addition, delivery systems are accessible to essentially all portions of the assessment area.

Retail Banking Services

Retail delivery systems are accessible to essentially all portions of the assessment area. VIB operates nine full-service branches in the assessment area. Standard branch hours are from 9:00 a.m. to 4:00 p.m., Monday through Thursday and 9:00 a.m. to 6:00 p.m. on Friday. Additionally delivery mechanisms that enhance accessibility include ATM's, telephone, and

Internet banking. Products are virtually identical in all offices and hours do not vary in a way that inconveniences any certain portions in the geography. Branches are well distributed throughout different income geographies with over 40 percent of all branches are located in moderate-income census tracts. Furthermore, employees speak fluent Spanish allowing customers to conduct transactions in Spanish in all branches.

Community Development Services

VIB provided a substantial level of community development services within the assessment area. Employees and officers were involved in the provision of community development service activities totaling over 700 hours. Services included technical assistance for small businesses, assistance with affordable housing projects and various social services targeted to assist low- and moderate-income individuals. The following represent only a small sample of the services provided by VIB employees.

- A bank officer provided needed expertise for grant writing and other technical assistance to a non-profit organization. The grant writing expertise allowed this non-profit to receive a Federal Home Loan Bank grant of \$1 million which was allocated to build 120 low-income affordable housing units.
- A branch manager sits on the board of directors of KidZone. KidZone is a program within the Riverside Youth Museum that is committed to improving the environment for children and their families in Riverside County. The museum will serve all of Hemet and San Jacinto schools which are in low- and moderate-income areas. The branch manager writes grants for KidZone and seeks financial support from the community on behalf of KidZone.
- Another bank employee led a small business financing seminar at a small business development corporation that promotes small business development in empowerment zones.

FRESNO

DESCRIPTION OF OPERATIONS IN FRESNO

The Fresno assessment area includes 91 of the 109 census tracts in Fresno County and was added in conjunction with the merger of the KRSB affiliate in May 2001. The assessment area includes the city of Fresno and all surrounding municipalities, encompassing the majority of the county. Fresno County is within the larger Fresno MSA that includes Fresno and Madera Counties. According to 2000 census data, Fresno County has a population of 799,400 with a median family income of \$40,300. That figure is significantly lower than the California median family income of \$53,025.

Fresno is the sixth-largest county in land area in the state, encompassing 6,000 square miles.¹⁷ To the west, Fresno shares its border with San Benito and Monterey counties. Mono and Inyo are to the East. To the north are the counties of Merced and Madera while its southern borders are shared with Kings and Tulare. Fresno County serves as a financial, trade, commercial and educational center for central California.

VIB operates three branches in this assessment area, located in the cities of Fresno, Reedley and Selma. As of June 30, 2002, VIB captured only one percent of the deposit base in Fresno County. These same deposits represent 7 percent of VIB's total deposits.¹⁸ Deposit activity placed it 16th out of the 24 institutions in the county. Large, nationally chartered financial institutions mainly comprised the top five institutions, capturing approximately 60 percent of the market share.

Exhibit 5 on the following page depicts certain demographic information obtained from the 1990 U.S. Census and 2002 Dun & Bradstreet data. The information was used to help develop the performance context in the Fresno assessment area.

¹⁷ California Employment Department, Labor Market Information Division, *County Snapshot - Fresno 2002*.

¹⁸ Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 2002, (accessed January 14, 2003); available from <http://www3.fdic.gov/idasp/main.asp>.

EXHIBIT 5								
ASSESSMENT AREA DEMOGRAPHICS								
FRESNO ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	6	6.4	7072	5.7	3286	46.8	30,821	24.9
Moderate-income	28	29.8	34237	26.2	10205	31.5	21,290	17.2
Middle-income	40	42.6	56301	45.4	8062	14.3	24,376	19.7
Upper-income	19	20.2	28200	22.7	832	3.0	47,478	38.3
Tract not reported	1	1.1	0	0	0	0	0	0
Total AA	94	100	123,965	100	22,385	18.1	123,965	100
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	10,380	2330	22.4	2.6	7,266	9.1	784	7.8
Moderate-income	45,904	18,855	41.1	20.8	24,678	31.1	2,371	23.7
Middle-income	82,891	42,444	51.2	46.9	35,906	45.2	4,541	45.4
Upper-income	40,836	26,933	66.0	29.7	11,605	14.6	2,298	23.0
Total AA	180,011	90,562	50.3	100	79,455	100	9,994	100
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	1,693	6.61	1,275	6.8%	116	6.8%	302	5.9%
Moderate-income	7,051	27.52	5,311	28.2%	593	34.8%	1,147	22.4%
Middle-income	9,178	35.82	6,806	36.2%	569	33.4%	1,803	35.3%
Upper-income	7,614	29.72	5,344	28.4%	422	24.8%	1,848	36.1%
Tract not reported	84	0.33	66	0.4%	4	0.2%	14	0.3%
Total AA	25,620	100	18,802	100.0%	1,704	100.0%	5,114	100.0%
Percentage of Total Businesses:		73.4		6.7		20.0		

Fresno County produces more agricultural products than any other county in the nation. Despite the predominance of agriculture, services are the largest industry in the area, accounting for 22 percent of the county's total employment. These service businesses, however, are targeted to the facilitation of agricultural production. Health services, government and education also comprise a sizeable portion of the area's economy. Government provides 21 percent of all employment and agriculture provides 14.6 percent of the county's total employment.¹⁹

Because of the seasonal nature of the agricultural industry, variations in employment are typical. As a result, Fresno experiences higher unemployment rates than other non-agricultural

¹⁹ Ibid.

areas might. The unemployment rate in Fresno in September 2002, was 11 percent, down three percentage points from November 2001 when the unemployment rate was 14 percent.²⁰

Fresno's economy endured the recession following the events of September 11th. The economic foundations in agribusiness, health services and government buoyed the economy even as other metropolitan areas experienced extreme volatility. Federal government operations such as the IRS and the expanding federal courthouse also served to stabilize the economy.²¹

Accelerating population growth and the increasing number of households moving to Fresno since the Bay Area's dot-com failures in 2000 have contributed to the strong housing market.²² While the HAI²³ cited by the California Association of Realtors reports that as of December 2001, 52 percent of Fresno households could afford the median priced home, many families are still unable to afford a home. The limited incomes of low- and moderate-income persons in relation to housing prices, the large seasonal workforce and high unemployment all exacerbate the need for affordable housing in this area.

According to Dun & Bradstreet data for the year 2002, 73.4 percent of the assessment area's 25,620 businesses generated gross annual revenues of \$1 million or less. Based on the preponderance of small businesses and information from community contacts, credit and other financial resources for these entities are significant needs within the area. As previously mentioned, affordable housing continues to be a pressing issue in this assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FRESNO

LENDING TEST

VIB's overall performance under the lending test is good. Lending activity within this assessment area, the geographic distribution of small business lending and lending levels to small farms are excellent. The level of lending to small businesses and the geographic distribution of small farm lending are adequate. VIB's also made a good level of community development loans in this market.

Lending Activity

With loan volume at 11.4 percent of total lending, lending activity is excellent and compares favorably to seven percent share of total deposits obtained from this assessment area. Refer to Table 1 for complete details regarding loan volume.

²⁰ U.S. Department of Labor Statistics, *Get Detailed Statistics, Local Area Unemployment Statistics*, 2001 to 2002 (accessed March 8 2003); available from <http://www.bls.gov>.

²¹ Economy.com, Incorporated, *Précis Metro - Fresno*, August 2002, West Chester PA, 2002.

²² Ibid, December 2001, West Chester PA, 2001.

²³ The HAI or Housing Affordability Index measures the percentage of households that can afford to purchase a median-priced home in California.

Lending Distribution by Geography

Small Business Lending

Small business lending demonstrates a good distribution throughout this assessment area. As shown in Table 2, small business lending within moderate-income geographies exceeded the distribution of assessment area businesses within those tracts. The bank's market share in moderate-income census tracts also exceeds its overall market share for this product. Performance in relation to the aggregate market is even stronger. VIB extended 39 percent of its small business loans in moderate-income areas, while the market originated only 25 percent of its loans in these moderate-income census tracts. Performance in low-income census tracts was not as strong with VIB's lending levels falling below those of the aggregate market as well as the number of businesses. However, unlike many of the moderate-income tracts many of the low-income areas are some distance from the nearest VIB branch.

Small Farm Lending

The distribution of small farm lending into various geographies is adequate. The absence of lending in low-income census tracts is reasonable given that only 1.27 percent of assessment area farms are located in these census tracts and they are some distance from the nearest VIB branch. Furthermore, the aggregate market exceeded VIB's performance by only 70 basis points. VIB originated just over 13 percent of its loans in moderate-income geographies. While this percentage of lending is below the performance of aggregate lenders, which extended over 21 percent of assessment area loans in moderate-income geographies, it is reasonably consistent with the percentage of assessment area farms in these geographies. By comparison, 17 percent of assessment area farms are located in moderate-income census tracts. Refer to Table 3 for more information on the geographic distribution of small farm lending.

Lending Distribution by Business Revenue

Small Business Lending

The level of lending to businesses of different sizes is adequate. As indicated in Table 4, 73 percent of assessment area businesses report gross annual revenues of \$1 million or less, and the aggregate market made 42 percent of all small business loans to these small businesses. For VIB, however, 35 percent of its small business loans were originated to small businesses. Although significantly below the percentage of businesses with gross annual revenues of \$1 million or less, VIB's level of lending is considered reasonable when compared to the performance of the aggregate lenders. Adding to the conclusion is the fact that VIB extended 45 percent of its small business loans in smaller amounts of \$100,000 or less.

Small Farm Lending

Lending to small farms is a significant strength in this assessment area. Over 82 percent of VIB's small farm loans were made to farms with gross annual revenues of \$1 million or less. This performance significantly exceeded the aggregate market which extended only 62 percent of its total small farm loans to small farms. Furthermore, VIB's performance also is favorable considering that 84 percent of all farms in this market are small farms. In addition, over 72 percent of VIB's small farm loans were in amounts of \$100,000 or less.

Community Development Lending

VIB's provides a good level of community development loans that is consistent with its presence in this market. VIB extended three community development loans totaling over \$6.9 million. One loan for over \$6.2 million supports an organization that provides temporary and full-time staffing, training, and other employment-related services predominately for low- and moderate-income individuals. These services help meet a significant need given the high unemployment rates and seasonal nature of employment in this assessment area. An additional loan for \$641,000 was granted to community-based health care organization that serves a significant number of low- and moderate-income individuals in the city of Reedley and the surrounding area.

INVESTMENT TEST

VIB provides an adequate level of investment and grant activity in this assessment area. Consistent with a primary credit need, the bank purchased mortgage-backed securities backed by loans to low- or moderate-income borrowers totaling \$1.6 million. VIB also invested \$495,000 in a health care district targeting the needs of low- and moderate-income individuals in Fresno County. As detailed in Table 6, the bank made \$2.1 million in new investments and had \$61.0 million in prior investments still on its books.

Included in these investment totals are 13 qualified grants and donations totaling \$26,907 that were provided to a variety of organizations that support a qualified community development purpose.

SERVICE TEST

Performance under the service test is adequate.

Retail Banking Services

Retail delivery systems are reasonably available throughout the assessment area. VIB operates two full service branches (Reedley and Selma) and the Fresno Private Banking Office within the assessment area. Standard branch hours were from 9:00 a.m. to 4:00 p.m., Monday through Thursday and 9:00 a.m. to 6:00 p.m. on Friday. In addition, the Reedley office had drive-up services available from 8:00 a.m. to 6:00 p.m. every day. Effective March 2002, the Reedley

hours were extended to include Saturday hours from 9:00 a.m. to noon. Branches are distributed throughout the assessment area with over 33 percent of branches located in moderate-income areas. Twenty-four-hour ATM access was available at all of the branch locations and the ATMs offered a bilingual option. In addition, all branch offices have Spanish-speaking staff that allows customers to conduct business in Spanish.

Community Development Services

VIB provided an adequate level of qualified community development services in this assessment area totaling over 219 hours of service provided by a number of employees. One bank employee served on the board of a community development corporation, and assists them by providing technical assistance and financial expertise needed by the organization. Other community development services provided by staff included providing financial education and technical expertise to small businesses. In addition, a branch manager sits on the board of directors of a community-based organization that provides baby clothes and supplies to low-income women.

KERN

DESCRIPTION OF OPERATIONS IN KERN

The Kern assessment area includes 94 of the 109 census tracts in Kern County. The Kern assessment area was added in conjunction with the merger of BOS in May 2001. These tracts comprise the majority of the county and include the city of Bakersfield and its surrounding communities. Kern County is the only county within the Bakersfield MSA. According to the 2000 census data, the county's population increased by almost 22 percent since 1990 is now 662,000.

Kern is located at the southern end of the Central Valley region of California and just north of Los Angeles County. The county is host to a major freeway system, providing access to California's central coast, Arizona, Nevada and Utah. Kern County has a rich history of gold, oil and agricultural production. Kern County is California's third-largest county in land area covering more than 8,000 square miles.

VIB operates three branches in this assessment area, all located in Bakersfield. According to the FDIC/OTS Summary of Deposits, as of June 30, 2002, VIB had captured 4.2 percent of the deposit base in the Kern assessment area, ranking it 7th out of 22 institutions within the county. These same deposits represented 18 percent of VIB's total deposits. The top three institutions were large, nationally chartered financial institutions, while smaller, state-chartered community banks held positions four through seven.

Exhibit 6 on the following page depicts certain demographic information obtained from the 1990 U.S. Census and 2002 Dun & Bradstreet data. This information was used to help develop the performance context for the Kern assessment area.

EXHIBIT 6								
ASSESSMENT AREA DEMOGRAPHICS								
KERN ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	4	4.3	3,836	3.3	1,724	44.9	27,809	23.6
Moderate-income	30	31.9	39,698	33.8	9,501	23.9	20,457	17.4
Middle-income	30	31.9	37,353	31.8	4,545	12.2	23,505	20.0
Upper-income	29	30.9	36,732	31.2	1,715	4.7	45,848	39.0
Tract not reported	1	1.1	0	0	0	0	0	0
Total AA	94	100	117,619	100	17,480	14.9	117,619	100
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	5,568	1,439	25.8	1.6	3,513	5.5	616	4.8
Moderate-income	55,897	25,370	45.4	27.9	25,651	40.4	4,876	37.7
Middle-income	53,803	29,091	54.1	32.0	21,730	34.2	2,982	23.1
Upper-income	51,940	34,917	67.2	38.4	12,571	19.8	4,452	34.4
Tract not reported	8	0	0	0	8	0	0	0
Total AA	167,216	90,817	54.3	100	63,473	100	12,926	100
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	2,201	9.6	1,670	9.7	155	11.1	376	8.6
Moderate-income	5,893	25.6	4,594	26.6	325	23.3	974	22.2
Middle-income	5,825	25.3	4,423	25.6	280	20.1	1,122	25.6
Upper-income	9,101	39.5	6,557	38.0	632	45.4	1,912	43.6
Total AA	23,020	100	17,244	100	1,392	100	4,384	100
Percentage of Total Businesses:			74.9		6.0		19.0	

Kern County enjoys a varied economic base dominated by government, services and agriculture. In 2001, government was the largest industry employer, accounting for 21 percent of the county's employment, followed by services at 20 percent and agriculture at 18 percent. Within the service industry, employment leaders included health services and business and engineering services. Though agricultural was the third largest employer, the industry contracted by 2,700 jobs in 2001.²⁴

²⁴ California Employment Department, Labor Market Information Division, *County Snapshot – Kern 2002*, California Employment Development Department, 2002.

Kern's economy suffered a downturn much like the rest of the nation following the events of September 11, 2001. Unemployment has risen steadily since November 2001 as job growth slowed. The annual unemployment rate in Kern reached 10.5 for year 2001. Primary causes of the weaker job market were the cuts in oil and other energy mining industries during the first quarter of 2002. Fewer jobs in these industries resulted in a reduction in household spending patterns, which caused a reduction in the number of retail jobs as well. Throughout 2001 and 2002, the unemployment rate in Kern remained well above the national average and personal bankruptcy filings rose to an all-time high in the closing months of 2001.²⁵

Overall, Kern County is one of the most affordable areas in the state with regard to housing. According to the California Association of Realtors, as of September 2001, 63 percent of California households could afford to purchase a median-priced home in Kern County. While housing affordability is not an issue for a large percentage of the population, homeownership remains a challenge for many low- and moderate-income individuals. However, with a December 2002 median home price of \$112,000, and a 2001 HUD-adjusted median family income of \$40,300, housing is much more attainable for low- and moderate-income individuals in Kern County than it is in other parts of the state.

Given the preponderance of small businesses as shown in Exhibit 6 above, financing for the sector continues to be a need. While major employers such as Bakersfield Memorial Hospital, California State University, Bakersfield and Edwards Air Force Base, continues to employ larger numbers of persons, over 71.3 percent of assessment area businesses reported gross annual revenues of \$1 million or less.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KERN

LENDING TEST

VIB's lending performance in its Kern assessment area is adequate. Lending activity is good while the level of lending to businesses with gross annual revenues of \$1 million or less and the distribution of loans by geography are adequate. The level and impact of community development lending is also adequate. As noted earlier, the evaluation of this assessment area included only the evaluation of small business loans.

Lending Activity

Lending levels are good in this assessment area. Small business lending activity (16 percent) is consistent with the share of deposits within the assessment area (18 percent). Refer to Table 1 for detailed information regarding loan volume. BOS did not have an agricultural lending focus. Since the merger with VIB, it has started transitioning to VIB's product lines. Therefore, the lack of farm lending in this assessment area is reasonable.

²⁵ Economy.com, Incorporated, *Précis Metro - Kern*, April 2002, West Chester, PA, 2002.

Lending Distribution by Geography

Small business geographic loan distributions are adequate. The geographic distribution of loans within moderate-income census tracts is substantially similar to the concentration of businesses and aggregate lending levels. The distribution in low-income census tracts fell somewhat below the distribution of businesses and aggregate lending levels, but not significantly. As shown in Table 2, the level of lending in the low-income census tracts is commensurate with VIB's overall market share in this assessment area.

Lending Distribution by Borrower Income and Business Revenue

Small business lending to businesses of different sizes, including businesses with gross annual revenues of \$1 million or less, is adequate. As stated, over 75 percent of assessment area businesses report gross annual revenues of \$1 million or less. As shown in Table 4, over 38 percent of VIB's small business loans were originated to small businesses. Although this percentage is less than the concentration of assessment area businesses, it is similar to the level of small business loans originated by the aggregate market with loans to small businesses at just over 40 percent. In addition, VIB originated over 40 percent of its small business loans in amounts of \$100,000.

Community Development Lending

VIB provides an adequate level of community development lending activity within its Kern assessment area. As shown in Table 1, a total of 3 community development loans were extended totaling \$1.1 million. One loan for \$850,000 was provided to a non-profit organization that provides social services to low- and moderate-income individuals. The organization operates residential, vocational and transportation services for people with mental and physical disabilities. VIB also subsidized fees for this loan. Also, a \$300,000 renewal of a line of credit was provided to a non-profit organization to renovate and convert a gymnasium into a sleeping facility for low- and moderate-income individuals and families.

INVESTMENT TEST

In the Kern assessment area, performance under the investment test is adequate as VIB made a reasonable level of investment and grant activity. VIB purchased targeted mortgage-backed securities totaling \$1.2 million. An additional \$190,000 was invested in school district bonds that will provide funds to rehabilitate and modernize a school district attended predominantly by low- and moderate-income youth.

VIB also provided 18 qualified grants and donations totaling \$32,434 that supported qualified community development purposes. Details regarding investment and grant activity are in Table 6.

SERVICE TEST

Performance under the service test is adequate.

Retail Banking Services

Retail delivery systems are accessible to essentially all portions of the assessment area. VIB operates three full-service branches in the assessment area. Standard branch hours are from 9:00 a.m. to 4:00 p.m., Monday through Thursday and 9:00 a.m. to 6:00 p.m. on Friday. The Bakersfield Southwest Branch also offers Saturday banking hours. Additional delivery mechanisms that enhance accessibility include ATM's, telephone banking, and Internet banking. Products are virtually identical in all offices and hours do not vary in a way that inconveniences any certain portions in the geography. In all VIB branches, many employees speak fluent Spanish allowing customers to conduct transactions in Spanish.

Community Development Services

VIB provides an adequate level of community development services in this assessment area. At least eleven employees provided over 423 hours of community development service in this assessment area. These activities had an adequate impact on the assessment area and examples include:

- One bank employee provides technical assistance and financial expertise as a member of the board of directors of a community development corporation.
- Another employee serves as the treasurer of an organization that assists low- and moderate-income people obtain hearing aids, eyeglasses and related examinations.
- Other community development services included providing financial education and technical expertise directly to small businesses.
- An additional employee serves as a member of the board of directors of an organization that operates a thrift and clothing distribution center to serve low-income individuals.

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

VIB's performance in the assessment areas receiving a limited review is generally consistent with the overall all performance in the full scope assessment areas. In many of these areas, the bank has a limited branch presence or market share. Therefore, the following conclusions regarding performance did not weigh heavily in the overall rating. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

ASSESSMENT AREA	LENDING TEST	INVESTMENT TEST	SERVICE TEST
Kings County	Consistent	Consistent	Consistent
San Diego County	Consistent	Consistent	Consistent
Tulare County	Consistent	Consistent	Consistent

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

Page B-1	Table 1	Lending Volume
Page B-2	Tables 2 & 2a	Geographic Distribution of Small Loans to Businesses
Page B-3	Tables 3 & 3a	Geographic Distribution of Small Loans to Farms
Page B-4	Tables 4 & 4a	Borrower Distribution of Small Loans to Businesses
Page B-5	Tables 5 & 5a	Borrower Distribution of Small Loans to Farms
Page B-6	Tables 6 & 6a	Qualified Investments
Page B-7	Table 7 & 7a	Distribution of Branch Delivery System and Branch Openings/Closings

VALLEY INDEPENDENT BANK

Table 1. Lending Volume

LENDING VOLUME												Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 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)		
Full Review:													
Fresno County	11.43	13	1,200	70	12,355	69	5,939	3	6,861	155	26,355	7.01	
Imperial County	42.48	8	545	374	72,376	165	27,472	29	48,864	576	149,257	36.65	
Kern County	17.38	79	9,721	152	30,783	1	16	3	1,150	235	41,670	18.43	
Riverside County	17.99	15	814	158	36,881	64	4,436	7	9,685	244	51,816	28.94	
Statewide/Regional	0.07	NA	NA	NA	NA	NA	NA	1	150	1	150	NA	
Limited Review:													
Kings County	3.10	1	184	26	2,660	14	1,102	1	161	42	4,107	1.18	
San Diego County	2.51	1	30	12	2,678	21	393	0	0	34	3,101	5.02	
Tulare County	5.09	2	144	34	5,071	33	3,246	0	0	69	8,461	2.77	

* Loan data as of September 30, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from January 1, 2001 to December 31, 2002.

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

VALLEY INDEPENDENT BANK

Table 2. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES											Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 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 Total**	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Fresno County	70	8.47	6.61	1.43	27.52	38.57	35.82	52.86	29.72	7.14	0.23	0.00	0.47	0.30	0.08
Imperial County	374	45.28	1.24	0.27	57.09	60.70	18.51	21.66	23.16	17.38	10.97	0.00	12.19	13.47	10.48
Kern County	152	18.40	9.56	4.61	25.60	21.05	25.30	21.71	39.54	52.63	0.78	0.71	1.00	0.75	0.81
Riverside County	158	19.13	0.94	1.27	35.19	39.87	39.64	39.24	24.23	19.62	0.31	1.09	0.66	0.29	0.19
Limited Review:															
Kings County	26	3.15	0.00	0.00	38.07	26.92	50.30	61.54	11.62	11.54	1.04	0.00	1.67	0.82	1.05
San Diego County	12	1.45	0.00	0.00	16.29	41.67	59.23	58.33	24.48	0.00	0.02	0.00	0.04	0.01	0.01
Tulare County	34	4.12	0.00	0.00	21.26	50.00	38.55	47.06	40.20	2.94	0.22	0.00	0.90	0.20	0.00

Table 2a. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES											Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 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 Total**	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	Low	Mod	Mid	Upp	
Full Review:															
Fresno County	70	8.47	6.61	1.43	27.52	38.57	35.82	52.86	29.72	7.14	4.77	24.82	37.11	33.20	
Imperial County	374	45.28	1.24	0.27	57.09	60.70	18.51	21.66	23.16	17.38	0.81	57.31	18.09	23.78	
Kern County	152	18.40	9.56	4.61	25.60	21.05	25.30	21.71	39.54	52.63	8.32	22.11	22.58	46.98	
Riverside County	158	19.13	0.94	1.27	35.19	39.87	39.64	39.24	24.23	19.62	0.86	29.65	41.67	27.81	
Limited Review:															
Kings County	26	3.15	0.00	0.00	38.07	26.92	50.30	61.54	11.62	11.54	0.00	31.01	52.63	16.37	
San Diego County	12	1.45	0.00	0.00	16.29	41.67	59.23	58.33	24.48	0.00	0.00	14.79	56.87	28.34	
Tulare County	34	4.12	0.00	0.00	21.26	50.00	38.55	47.06	40.20	2.94	0.00	17.47	39.12	43.39	

* Based on 2001 Peer Small Business Data: WE Region 2. Please note that the Market Share information provided is based on whole counties. The bank's following AA's consists of partial counties only: Fresno, Kern, Riverside, San Diego, and Tulare.

** 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 - D&B - 2002.

VALLEY INDEPENDENT BANK

Table 3. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS											Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 30, 2002				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% Bank Loans	% of Farms***	% Bank Loans	% of Farms***	% Bank Loans	% of Farms***	% Bank Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Fresno County	69	18.80	1.27	0.00	17.52	13.04	68.21	86.96	12.82	0.00	6.00	0.00	2.54	9.51	0.00
Imperial County	165	44.96	4.58	0.00	34.35	43.64	29.52	30.30	31.55	26.06	76.92	0.00	86.79	80.85	65.00
Kern County	1	0.27	1.72	0.00	36.14	100.00	26.35	0.00	35.79	0.00	0.00	0.00	0.00	0.00	0.00
Riverside County	64	17.44	8.06	9.38	43.20	57.81	30.23	29.69	18.51	3.13	32.52	60.00	60.00	25.00	10.34
Limited Review:															
Kings County	14	3.81	0.00	0.00	18.22	7.14	68.62	57.14	13.16	35.71	5.51	0.00	7.69	3.19	15.79
San Diego County	21	5.72	0.00	0.00	16.89	19.05	52.51	76.19	30.59	4.76	9.76	0.00	18.75	16.36	0.00
Tulare County	33	8.99	0.00	0.00	30.66	15.15	53.51	63.64	15.83	21.21	4.64	0.00	1.54	4.37	12.82

Table 3a. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS											Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 30, 2002				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*				
	#	% of Total**	% of Farms***	% Bank Loans	% of Farms***	% Bank Loans	% of Farms***	% Bank Loans	% of Farms***	% Bank Loans	Low	Mod	Mid	Upp	
Full Review:															
Fresno County	69	18.80	1.27	0.00	17.52	13.04	68.21	86.96	12.82	0.00	0.70	21.40	64.21	13.68	
Imperial County	165	44.96	4.58	0.00	34.35	43.64	29.52	30.30	31.55	26.06	0.71	37.59	33.33	28.37	
Kern County	1	0.27	1.72	0.00	36.14	100.00	26.35	0.00	35.79	0.00	1.19	33.33	26.19	39.28	
Riverside County	64	17.44	8.06	9.38	43.20	57.81	30.23	29.69	18.51	3.13	8.93	57.14	26.78	7.14	
Limited Review:															
Kings County	14	3.81	0.00	0.00	18.22	7.14	68.62	57.14	13.16	35.71	0.00	10.32	74.60	15.08	
San Diego County	21	5.72	0.00	0.00	16.89	19.05	52.51	76.19	30.59	4.76	0.00	23.81	71.43	4.76	
Tulare County	33	8.99	0.00	0.00	30.66	15.15	53.51	63.64	15.83	21.21	0.00	27.35	57.69	14.96	

* Based on 2001 Peer Small Business Data: WE Region 2. Please note that the Market Share information provided is based on whole counties. The bank's following AA's consists of partial counties only: Fresno, Kern, Riverside, San Diego, and Tulare.

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

*** Source Data - D&B - 2002.

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Table 4. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 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	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
Fresno County	70	8.47	73.39	35.71	45.71	38.57	15.71	0.23	0.15
Imperial County	374	45.28	74.89	44.65	53.48	23.53	22.99	10.97	13.85
Kern County	152	18.40	74.91	38.16	44.08	32.24	23.68	0.78	0.77
Riverside County	158	19.13	71.33	39.24	50.00	24.05	25.95	0.31	0.30
Limited Review:									
Kings County	26	3.15	76.23	53.85	73.08	7.69	19.23	1.04	0.96
San Diego County	12	1.45	72.56	58.33	50.00	16.67	33.33	0.02	0.02
Tulare County	34	4.12	73.01	44.12	50.00	35.29	14.71	0.22	0.21

Table 4a. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 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	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
Fresno County	70	8.47	73.39	35.71	45.71	38.57	15.71	10,336	4,356
Imperial County	374	45.28	74.89	44.65	53.48	23.53	22.99	2,006	686
Kern County	152	18.40	74.91	38.16	44.08	32.24	23.68	8,484	3,384
Riverside County	158	19.13	71.33	39.24	50.00	24.05	25.95	9,159	3,059
Limited Review:									
Kings County	26	3.15	76.23	53.85	73.08	7.69	19.23	1,254	520
San Diego County	12	1.45	72.56	58.33	50.00	16.67	33.33	1,623	517
Tulare County	34	4.12	73.01	44.12	50.00	35.29	14.71	4,074	1,695

* Based on 2001 Peer Small Business Data: WE Region 2. Please note that the Market Share information provided is based on whole counties. The bank's following AA's consists of partial counties only: Fresno, Kern, Riverside, San Diego, and Tulare.

** 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 5.57% of small loans to businesses originated and purchased by the bank.

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Table 5. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS					Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 30, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms with Revenues of \$1 Million or Less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% Bank Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
Fresno County	69	18.80	84.30	82.61	72.46	21.74	5.80	6.00	6.01
Imperial County	165	44.96	60.81	38.79	44.24	33.33	22.42	76.92	69.23
Kern County	1	0.27	73.99	100.00	100.00	0.00	0.00	0.00	0.00
Riverside County	64	17.44	79.85	17.19	78.13	10.94	10.94	32.52	17.07
Limited Review:									
Kings County	14	3.81	76.11	64.29	78.57	14.29	7.14	5.51	8.77
San Diego County	21	5.72	91.32	14.29	90.48	4.76	4.76	9.76	1.54
Tulare County	33	8.99	76.51	39.39	60.61	27.27	12.12	4.64	0.58

Table 5a. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS					Evaluation Period: JANUARY 1, 2001 TO SEPTEMBER 30, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms with Revenues of \$1 Million or Less		Loans by Original Amount Regardless of Farm Size			Aggregate Lending Data*	
	#	% of Total**	% of Farms***	% Bank Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
Fresno County	69	18.80	84.30	82.61	72.46	21.74	5.80	285	176
Imperial County	165	44.96	60.81	38.79	44.24	33.33	22.42	143	52
Kern County	1	0.27	73.99	100.00	100.00	0.00	0.00	168	107
Riverside County	64	17.44	79.85	17.19	78.13	10.94	10.94	56	15
Limited Review:									
Kings County	14	3.81	76.11	64.29	78.57	14.29	7.14	127	57
San Diego County	21	5.72	91.32	14.29	90.48	4.76	4.76	21	5
Tulare County	33	8.99	76.51	39.39	60.61	27.27	12.12	234	124

* Based on 2001 Peer Small Business Data: WE Region 2. Please note that the Market Share information provided is based on whole counties. The bank's following AA's consists of partial counties only: Fresno, Kern, Riverside, San Diego, and Tulare.

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

*** Farms with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 35.69% of small loans to farms originated and purchased by the bank.

VALLEY INDEPENDENT BANK

Table 6. Qualified Investments

QUALIFIED INVESTMENTS										Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002	
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**			
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)		
Full Review:											
Fresno County	1	61	19	2,149	20	2,210	13.07	0	0		
Imperial County	7	1,146	54	5,575	61	6,721	39.76	1	3,000		
Kern County	0	0	24	1,813	24	1,813	10.72	0	0		
Riverside County	7	3,111	45	2,126	52	5,237	30.98	0	0		
Statewide/Regional	1	89	9	19	10	108	0.64				
Limited Review:											
Kings County	1	134	2	166	3	300	1.77	0	0		
San Diego County	2	39	5	399	7	438	2.59	0	0		
Tulare County	0	0	6	79	6	79	0.47	0	0		

* '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.

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Table 7. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS														Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 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
Full Review:																	
Fresno County	7.01	3	13	0.00	33.33	33.33	33.33	0	0	0	0	0	0	7.17	29.75	42.97	19.90
Imperial County	36.65	4	17	0.00	75.00	0.00	25.00	0	0	0	0	0	0	2.89	59.18	15.54	22.39
Kern County	18.43	3	13	0.00	0.00	66.67	33.33	0	0	0	0	0	0	4.01	35.92	30.53	28.33
Riverside County	28.94	9	38	0.00	44.44	33.33	22.22	0	0	0	0	0	0	2.86	46.67	36.37	14.11
Limited Review:																	
Kings County	1.18	1	4	0.00	100.00	0.00	0.00	0	0	0	0	0	0	0.00	39.45	46.76	13.79
San Diego County	5.02	2	8	0.00	50.00	50.00	0.00	0	0	0	0	0	0	0.00	12.60	57.65	29.75
Tulare County	2.77	2	8	0.00	50.00	50.00	0.00	0	0	0	0	0	0	0.00	34.29	35.11	30.60

APPENDIX C

LIMITED-SCOPE ASSESSMENT AREAS

MARKET PROFILES

All demographic and economic information in this appendix came from one of the following sources:

- 1990 U.S. Census
- 2001 Dun & Bradstreet data
- County Snapshot - California Employment Department, Labor Market Information Division

VALLEY INDEPENDENT BANK

Table 8. Market Profile - Kings County

Demographic Information for Limited Scope Area: Kings						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	18	0.00	38.89	44.44	16.67	0.00
Population by Geography	101,469	0.00	39.45	46.76	13.79	0.00
Owner-Occupied Housing by Geography	15,427	0.00	26.59	50.18	23.23	0.00
Business by Geography	3,614	0.00	38.07	50.30	11.62	0.00
Farms by Geography	494	0.00	18.22	68.62	13.16	0.00
Family Distribution by Income Level	23,086	23.33	19.25	22.00	35.42	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	9,830	0.00	48.05	41.89	10.06	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		29,946 39,200 13.01%		Median Housing Value Unemployment Rate (1990 U.S. Census)		94,413 5.02%

The Kings assessment area consists of Kings County in its entirety, incorporating the rural communities of Avenal, Corcoran, Hanford, and Lemoore located in the San Joaquin Valley. Kings County is bordered by Fresno County to the north, Kern County to the south, Monterey County to the west, and Tulare County to the east.

Historically, agriculture and related industries have dominated Kings County's economy leading to higher unemployment rates and greater seasonal variations in employment. Building on a solid agricultural base, Kings County has sought to diversify its economy with competitive incentives. As a result, the county has seen major expansions in the food processing industry. The food and kindred products sector of the manufacturing industry is projected to add 380 jobs by the year 2006. Nonetheless, agriculture and local government remain the largest employment sectors in the county.

VIB operates one branch in this assessment area. Located in a moderate- income tract, the branch accounts for 1.2 percent of VIB's deposit base and 3.1 percent of its loan activity.

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census and 2002 HUD updated MFI.

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Table 9. Market Profile - San Diego

Demographic Information for Limited Scope Area: San Diego						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	0.00	16.67	58.33	25.00	0.00
Population by Geography	66,553	0.00	12.60	57.65	29.75	0.00
Owner-Occupied Housing by Geography	16,388	0.00	13.67	53.51	32.82	0.00
Business by Geography	4,592	0.00	16.29	59.23	24.48	0.00
Farms by Geography	219	0.00	16.89	52.51	30.59	0.00
Family Distribution by Income Level	17,785	16.83	16.01	23.10	44.05	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	5,841	0.00	20.63	62.10	17.27	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		39,798 60,100 9.26%		Median Housing Value Unemployment Rate (1990 U.S. Census)		186,159 3.83%

The San Diego assessment area consists of 12 census tracts in the eastern part of San Diego County along the Imperial County border. San Diego County is the southern-most county in California. It shares its borders with the country of Mexico to the south, Orange and Riverside counties to the north, the Pacific Ocean to the west, and Imperial County to the east.

San Diego County enjoys a diverse economy where services represent the largest industry. In the eastern part of the county that comprises this assessment area, small business dominates as the economy is primarily driven by tourism. Unlike other portions of VIB's assessment areas, this one is not dominated by agriculture.

VIB operates two full service branches in the assessment area. Located in the cities of Julian and Tecate, one branch is in a moderate-income area, while the other is in a middle-income area. In Tecate, VIB is the only financial institution serving this community. These two branches account for 5.0 percent of VIB's deposit base and 2.5 percent of its loan activity.

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census and 2002 HUD updated MFI.

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Table 10. Market Profile - Tulare

Demographic Information for Limited Scope Area: Tulare						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	40	0.00	32.50	37.50	30.00	0.00
Population by Geography	231,529	0.00	34.29	35.11	30.60	0.00
Owner-Occupied Housing by Geography	43,199	0.00	24.97	35.42	39.61	0.00
Business by Geography	10,717	0.00	21.26	38.55	40.20	0.00
Farms by Geography	1,409	0.00	30.66	53.51	15.83	0.00
Family Distribution by Income Level	57,473	21.19	18.13	19.24	41.44	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	22,603	0.00	44.92	35.13	19.94	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		26,697 37,400 17.5%		Median Housing Value Unemployment Rate (1990 U.S. Census)		73,427 6.53%

The Tulare assessment area consists of 40 of the 54 census tracts in Tulare County, including the communities of Dinuba, Exeter, Farmersville, Lindsay, Porterville, Tulare, and Visalia, located in the San Joaquin Valley. Tulare County is bordered by Fresno County to the north, Kern County to the south, Kings County to the west, and Inyo County to the east. Although primarily an agricultural county, almost half of Tulare County's area is devoted to national parks and forests, including Sequoia and Kings Canyon National Parks, and Inyo and Sequoia National Forests. The assessment area consists of the western portions of the county that border Fresno and Kings counties.

Agriculture and related industries represent the largest employment sectors. Leadership in dairy, orange, grape, cattle, and cotton production contributed to Tulare County being ranked as the largest agricultural producing county in the state. Expansion in Tulare employment has been influenced by the addition of light and medium manufacturing.

VIB operates two branches in Tulare County, located in the cities of Dinuba and Visalia. Split between a moderate-income tract and a middle-income tract, these two branches account for 5.1 percent of the bank's deposit base and 2.8 percent of its total loan activity.

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census and 2002 HUD updated MFI.