

PUBLIC DISCLOSURE

May 20, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Six Rivers Bank
RSSD - 1425020
402 F Street
Eureka, California 95501**

**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

Institution's CRA Rating: Six Rivers Bank is rated satisfactory.

Six Rivers Bank demonstrates an overall satisfactory level of performance under the Community Reinvestment Act, as measured by the small bank performance criteria. The loan-to-deposit ratio is reasonable and a significant majority of originations are inside its assessment area. The bank's overall dispersion of lending by census tract is reasonable, and there are no conspicuous gaps in the lending patterns within the assessment area. The bank also demonstrates a reasonable performance in reaching borrowers of different income levels and businesses of different sizes.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

Six Rivers Bank, a \$199 million community bank established in 1989, became a member of the Federal Reserve effective, March 1, 2002. Six Rivers Bank is a subsidiary of North Valley Bancorp, which also owns North Valley Bank, located in Redding, California. Six Rivers Bank currently has seven branch offices located in Crescent City, Eureka (2 branches), Ferndale, Garberville, McKinleyville, and Willits.

The bank's primary lending focus is consumer mortgage lending, which comprises nearly 40 percent of the loan portfolio. The bank offers a wide array of products, including construction loans, home purchase and home equity loans, and home equity lines of credit. The bank also offers auto loans, credit cards, and agricultural loans. Below is an illustration of the bank's loan portfolio as of December 31, 2001.

Loan Type	Dollar Amount ('000s)	% of Loan Portfolio
Secured by 1-4 Family Real Estate	\$50,822	39.7%
Consumer	\$35,070	27.4%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$34,953	27.3%
Farmland & Agriculture	\$4,298	3.46%
States & Political Subdivisions in US	\$2,239	1.8%
Construction	\$514	.40%
Multifamily Housing	\$39	.03%

The bank does not have any financial constraints or legal impediments that would inhibit its ability to meet community needs consistent with its business strategy, size, financial resources, and local economic conditions. The previous CRA examination conducted by the Office of the Comptroller of the Currency, in May 1998, resulted in a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

The bank operates in one assessment area which consists of Mendocino, Humboldt, and Del Norte Counties, and includes 48 census tracts. There are no low-income census tracts within the assessment area. The southern border of Mendocino County is approximately 90 miles north of San Francisco and is bordered by Humboldt County to the north. Humboldt County is the largest and most populated of the three counties, and is bordered by Del Norte County to the north and Mendocino County to the south. Del Norte is California's northern-most coastal county, with Humboldt County to the south, Siskiyou County to the east, and the Oregon border to the north. The 2000 Census data indicates that from 1990 to 2000 the populations of Mendocino, Humboldt, and Del Norte Counties increased 7, 6, and 17 percent, respectively. The assessment area has a total population of 223,000. The following table reflects the distribution of census tracts, families, and households by income level.

Income Level	Census Tracts		Families		Households	
	Number	Percent	Number	Percent	Number	Percent
Low	0	0.0%	12,123	21.1%	21,501	25.3%
Moderate	9	18.7%	10,226	17.8%	13,782	16.2%
Middle	29	60.4%	12,006	20.9%	15,469	18.2%
Upper	7	14.6%	23,202	40.3%	34,361	40.4%

The most recent information available describes the overall economy of the assessment area as stable with modest growth from 1996 to 2000. Historically, agriculture, fishing, lumber, and tourism have dominated the assessment area economy. Nevertheless, the economic base is becoming increasingly more diversified. Services, government, and retail trade are expected to account for nearly 90 percent of the projected growth in employment through 2004. The manufacturing industry was forecasted to decline slightly during this time period due in part to the transition from a resource-based to a service-based economy. Dun & Bradstreet data also indicates that the area is heavily dependent on the service industry and that 82.5 percent of the assessment area businesses are classified as small businesses.

Dun & Bradstreet Industry Concentrations	
Services	42.0%
Wholesale	22.0%
Retail	22.0%
Construction	8.3%
Manufacturing	6.6%
Financial Services	6.6%
Transportation	4.5%
Agriculture	4.5%

The annual average unemployment rate for Mendocino, Humboldt, and Del Norte Counties in 2000 was 6.6, 6.3 and 8.7 percent, respectively. Although these rates are higher than the state's unemployment rate of 4.9 percent, mainly as a result of downturns in the manufacturing industry, unemployment rates for these counties have been steadily declining since 1996. Declines in total employment have been offset by a large gain in employment by local governments. For example, the Pelican Bay State Prison, in Del Norte County, accounts for over 1,400 jobs and is the county's largest employer.

As a result of increased employment by local governments, many small businesses now face expansion opportunities, but do not have easy access to financing. Moreover, term loans for small businesses are difficult to obtain because many borrowers lack established credit histories or business sophistication. The creation of Economic Development Centers such as the Del Norte Economic Development Corporation, which provide financial assistance to small

¹ Source: 2001 County Profile: Mendocino, Humboldt, and Del Norte Counties.

businesses, illuminates the need for small business loans within the assessment area. A majority of banks and credit unions throughout the assessment area are branches of larger institutions with headquarters in urban centers outside the region.²

The assessment area historically has seen slow growth in the housing market. However, the jobs created by the development of the Pelican Bay State Prison accelerated housing market growth in the early 90s. In recent years the housing market has slowed with growth supported mostly by retirees looking to relocate away from larger cities. Summer and weekend homes also remain popular for retirees and baby-boomers. Affordability issues also contribute to the slow growth in housing. The median family income within the assessment area is approximately \$30,405, while the median price of a home in Northern California (including Humboldt County) in February 2000 was \$171,914.³ As a result, affordable housing loans for low- and moderate-income families remain a credit need within the assessment area.

² Source: Economic Development Program published by Del Norte Economic Development Center.

³ Source: Trends in California Real Estate, April, 2002, published by the California Association of Realtors.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

SCOPE OF EXAMINATION

The CRA performance of Six Rivers Bank was evaluated using the small bank examination procedures. The evaluation was based upon the following performance criteria.

- Loan volume in comparison to deposits (Loan-to-Deposit Ratio).
- Lending inside and outside the assessment area (Lending in Assessment Area).
- Dispersion of lending throughout census tracts or geographic areas within the assessment area (Lending Distribution by Geography).
- Distribution of lending to businesses with different annual revenues and borrowers of different income levels (Lending Distribution by Business Size and Borrower Income).

The bank's responsiveness to consumer complaints was not evaluated because the bank has not received any CRA-related complaints.

The CRA evaluation was based on 1,327 motor vehicle loans, 296 small business loans, 80 mortgage refinance loans, and 55 home purchase loans extended during the sample period of January 2000 through December 2001. Only those loans extended inside the assessment area were included in the geographic distribution and borrower profile evaluations.

Loan-to-Deposit Ratio

Six Rivers Bank's eight-quarter-average loan-to-deposit ratio meets standards for a satisfactory performance. At 73.5 percent, the bank's eight-quarter average loan-to-deposit ratio is comparable to banks with similar asset size and branch network.

Lending in Assessment Area

The concentration of loans extended inside the assessment area also meets standards for a satisfactory performance. A significant majority (85 percent) of commercial and mortgage loans and a majority (64 percent) of auto loans were extended within the assessment area.

Lending Distribution by Geography

Overall, the geographic distribution of the bank's lending meets standards for a satisfactory performance. The strengths of this performance include an excellent distribution of home purchase loans in moderate-income census tracts coupled with reasonable levels of refinance and motor vehicle lending in moderate-income census tracts. While the overall performance is reasonable, the level of small business lending in moderate-income census tracts fell substantially below the percentage of total assessment area businesses located in moderate-income census tracts as well as the percentage of the aggregate market's lending in moderate-income census tracts.

Home Purchase Lending

The geographic distribution of home purchase lending shows an excellent penetration into all geographies, including moderate-income census tracts. The bank's lending far exceeded the percentage of owner-occupied housing units located in moderate-income census tracts. In addition, the bank's lending in moderate-income census tracts tripled the percentage of the aggregate market's lending in moderate-income census tracts.

Tract Income Level	Owner Occupied Housing Units	Bank Purchase Lending		Aggregate Purchase Lending	
		Number	Dollar Volume	Number	Dollar Volume
Moderate	15%	36%	25%	12%	10%
Middle	69%	52%	62%	73%	73%
Upper	16%	12%	14%	15%	17%

Refinance Lending

The distribution of refinance lending demonstrated a reasonable penetration into census tracts of different income levels. The percentage of refinance lending in each census tract category is comparable to the percentage of owner-occupied housing units in each census tract category. The bank's performance is also comparable to the percentage of the aggregate market's lending in each census tract category.

Census Tract Income Level	Owner Occupied Housing Units	Bank Refinance Lending		Aggregate Refinance Lending	
		Number	Dollar Volume	Number	Dollar Volume
Moderate	15%	12%	11%	11%	10%
Middle	69%	75%	75%	71%	71%
Upper	16%	13%	14%	18%	19%

Motor Vehicle Lending

Similar to refinance lending, motor vehicle lending also showed a reasonable distribution among all census tract categories.

Census Tract Income Level	Census Tract Distribution	Bank Motor Vehicle Lending	
		Number	Dollar Volume
Moderate	19%	16%	16%
Middle	60%	71%	70%
Upper	15%	13%	15%

Small Business Lending

Overall, the geographic distribution of small business loans was less favorable than geographic distribution of home purchase, refinance, and motor vehicle lending. Most of the bank's lending was concentrated in middle-income census tracts, with significantly less lending in either upper-income or moderate-income census tracts. Lending to upper- and moderate-income census tracts fell below the percentage of total assessment area businesses located in these census tract categories. In addition, the market's performance exceeded the bank's performance, suggesting that there are additional opportunities for lending in these census tracts, particularly in moderate-income census tracts.

Census Tract Income Level	Business Concentration	Bank Small Business Lending		Aggregate Small Business Lending	
		Number	Dollar Volume	Number	Dollar Volume
Moderate	32%	6%	24%	28%	30%
Middle	60%	93%	73%	61%	60%
Upper	8%	1%	3%	11%	11%

Lending Distribution by Business Size and Borrower Income

The lending to borrowers with different incomes and businesses with different annual revenues meets standards for a satisfactory performance. The strengths of this performance lie in the bank's ability to reach low- and moderate-income borrowers with its home purchase lending. The high percentage of small business loans extended to small businesses, as well as the large number of loans extended in small dollar amounts, also supports the overall adequacy of the bank's performance for this criterion. Although the bank's weaker performance in reaching low-income borrowers with refinance lending and motor vehicle lending was noted, the overall performance remains adequate.

Home Purchase Lending

Home purchase lending extended to borrowers of different income levels is excellent. The percentage of the bank's lending to moderate-income borrowers almost tripled the percentage of the aggregate market's lending to moderate-income borrowers. In addition, the percentage of the bank's lending to moderate-income borrowers substantially exceeded the percentage of moderate-income families in the assessment area. While the percentage of the bank's lending to low-income borrowers fell below the percentage of low-income families in the assessment area, the bank performed substantially better than the aggregate market. The lower level of the bank's lending, as well as the aggregate market's lending to low-income individuals can be explained by affordability issues facing low-income borrowers.

Borrower Income Level	Families	Bank Purchase Lending		Aggregate Purchase Lending	
		Number	Dollar Volume	Number	Dollar Volume
Low	21%	9%	4%	2%	1%
Moderate	18%	27%	19%	10%	6%
Middle	21%	35%	33%	21%	16%
Upper	40%	29%	44%	64% ⁴	74%

Refinance Lending

Refinance lending to low- and moderate-income borrowers is adequate. Although the percentage of the bank’s lending to low- and moderate-income borrowers fell significantly below the percentage of low- and moderate-income individuals in the assessment area, its performance was comparable to the percentage of the aggregate market’s lending to low- and moderate-income borrowers. Similar to purchase lending, affordability issues facing low- and moderate-income borrowers help explain the lower levels of lending to these borrowers.

Borrower Income Level	Families	Bank Refinance Lending		Aggregate Refinance Lending	
		Number	Dollar Volume	Number	Dollar Volume
Low	21%	4%	1%	4%	4%
Moderate	18%	10%	7%	10%	7%
Middle	21%	14%	10%	15%	11%
Upper	40%	72%	82%	71%	81%

Motor Vehicle Lending

The bank’s performance in extending auto loans to borrowers of all income levels is adequate. The strength of this performance lies in the bank’s ability to reach moderate-income borrowers. While the bank also extended auto loans to low-income borrowers within the assessment area, it was less successful in reaching these borrowers with this loan product.

Borrower Income Level	Motor Vehicle Lending		Families
	Number	Dollar Volume	
Low	4%	2%	21%
Moderate	20%	14%	18%
Middle	30%	25%	21%
Upper	46%	59%	40%

⁴ Percentages do not total 100 percent because the income of borrowers is not available.

Small Business Loans

Lending to businesses with different annual revenues is adequate. Almost half of the number and almost two-thirds of the dollar volume of loans extended were to businesses with gross annual revenues not exceeding \$1 million. While this percentage of lending falls below the percentage of small businesses in the assessment area, it exceeded the performance of large banks in the assessment area. In addition, nearly half of the loans were for amounts of not more than \$50,000, which demonstrates responsiveness to an articulated credit need of small businesses.

Response to Complaints

Six Rivers did not receive any complaints relating to its CRA performance since the previous examination. Accordingly, this performance component was not evaluated.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS

No violations of the substantive provisions of anti-discrimination laws and regulations were identified during this examination. Additionally, there was no evidence that the bank engaged in any prohibited practices.

GLOSSARY OF FREQUENTLY USED TERMS

Area Median Income (Median Income)

The median family income for the Metropolitan Statistical Area (MSA) if a person or geography is located in an MSA, or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area

A geographic area which generally consists of one or more MSAs or one or more contiguous subdivisions, such as counties, cities or towns. Assessment areas also include geographies in which the bank has its main office, its branches and its deposit taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, small business loans, small farm loans, and any other loans the bank chooses, such as those consumer loans on which the bank elects to have its performance assessed).

Community Development

- (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals.
- (2) Community services targeted to low- or moderate-income individuals.
- (3) Activities that promote economic development by financing business or farms which have gross annual revenues of \$1 million or less or that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs.
- (4) Activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan

A loan that has as its primary purpose community development; and, except in the case of a wholesale or limited purpose bank:

- (1) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan; and
- (2) Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service

A service that has as its primary purpose community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services under CRA.

Consumer Loans	Loans 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. Examples of consumer loans are: Motor Vehicle Loans, Credit Card Loans, Home-Equity Loans, Secured Consumer Loans and Unsecured Consumer Loans.
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.
Family Income	Includes the income of all members of a family that are age 15 and older.
Families	Defined by the U.S. Bureau of Census as all persons occupying a housing unit related to the householder by birth, marriage or adoption. A single person living alone or two or more unrelated individuals occupying the same household are not considered to be a family.
Geographies	Census tracts or numbering area blocks delineated by the U.S. Bureau of Census in the most recent decennial census.
Household Income	Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.
Households	Defined by the U.S. Bureau of Census as all persons occupying a housing unit.
Housing Unit	Includes a house, an apartment, a mobile home, a group of homes, or a single room that is occupied as separate living quarters.
HUD Adjusted Median Income	Based initially on the area median income derived from the most recent decennial census, the Department of Housing and Urban Development adjusts the figure annually for inflation.

Income Level	Includes low-income, moderate-income, middle-income and upper-income.
Low-Income	An individual income that is less than 50 percent of the HUD- adjusted median income or a census tract or block numbering area with a median family income that is less than 50% of the area median income.
Median Income	See Area Median Income and HUD Adjusted Median Income
Metropolitan Statistical Area (MSA)	An area qualifies as an MSA if it contains a city with a population of at least 50,000 or is defined by the Bureau of the Census as an urbanized area and has a population of 50,000 or more and a total metropolitan population of 100,000.
Middle-Income	An individual income that is at least 80 percent and less than 120 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 80 and less than 120 percent of the area median income.
Moderate-Income	An individual income that is at least 50 percent and less than 80 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 50 and less than 80 percent of the area median income.
Owner-Occupied Housing Unit	Includes housing units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.
Qualified Investment	A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.
Real Estate Mortgage Loan	Defined by the Home Mortgage Disclosure Act (HMDA) as a home purchase loan, home improvement loan or the refinancings for both. A home purchase loan is any loan secured by and made for the purpose of purchasing a dwelling. A home improvement loan is for the purpose, in whole or part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.

Small Bank

A bank that, as of December 31 of either of the prior two calendar years, had total assets of less than \$250 million and was independent or an affiliate of a holding company that, as of December 31 of the prior two calendar years, had total banking and thrift assets of less than \$1 billion.

Small Business

Businesses with gross annual revenues of \$1 million or less as defined by the Community Reinvestment Act.

Small Business Loan

Business purpose loans with original amounts of \$1 million or less as defined by the instructions for the Consolidated Reports of Condition and Income (CALL Report) for entry on schedule RC-C, part II "Loans to Small Businesses."

Upper-Income

An individual income that is 120 percent or more of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is 120 percent or more of the area median income.