

PUBLIC DISCLOSURE

June 16, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**North Valley Bank
RSSD # 808167**

**300 Park Marina Circle
Redding, California 96099**

**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 the 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 RATING

Institution's Community Reinvestment Act (CRA) Rating

North Valley Bank is rated "SATISFACTORY"

The following table shows the performance ratings for the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING		X
SATISFACTORY	X	
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- A substantial majority of small business and residential mortgage loans within the assessment areas;
- A reasonable dispersion of loans in geographies of different income levels;
- A reasonable distribution of loans to businesses of different sizes and borrowers of different income levels;
- A reasonable record of extending small business loans in small dollar amounts;
- An excellent level of community development activities including loans, investments, and services supporting the creation and retention of jobs, the provision of social services to low- and moderate-income individuals, and the creation of affordable housing units.

INSTITUTION

Description of Institution

North Valley Bank (NVB), headquartered in Redding, California, with assets of \$912 million as of December 31, 2013, is a wholly-owned subsidiary of North Valley Bancorp. NVB commenced operations on February 9, 1973, and has a network of 21 full-service brick and mortar offices throughout the northern California counties of Del Norte, Humboldt, Mendocino, Placer, Shasta, Sonoma, Trinity, and Yolo. In addition to its branch offices, NVB operates one loan production office in Mendocino County.

NVB provides an array of banking-related products and services to area businesses and consumers. The bank's strategic focus has been commercial lending, specifically small- and middle-market businesses. However, NVB does provide a variety of products for consumers and originates a sizeable number of consumer and residential mortgage loans. Specific commercial loan types offered include term loans and lines, real estate construction, lease financing, working capital, and Small Business Administration (SBA) loans. Consumer loans offered include, but are not limited to, home purchase, refinance, and home improvement loans, home equity lines of credit, and automobile loans.

Below is the December 31, 2013 loan portfolio, as stated in the Consolidated Reports of Condition and Income, which shows the bank's commercial focus.

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2013		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	327,740	64.4
Secured by 1-4 Family Residential Real Estate	100,533	19.7
Multi-Family Residential Real Estate	38,459	7.6
Construction & Land Development	27,373	5.4
Farm Land & Agriculture	7,471	1.5
Consumer Loans & Credit Cards	5,373	1.1
Lease Financing Receivables	2,172	0.4
State, Political Subdivisions and All Other	123	0.0
Total (Gross)	509,244	100.0

NVB's assessment areas remain unchanged from the prior examination and are defined as follows:

- **Shasta Assessment Area**, which consists of Shasta County in its entirety and represents the Redding Metropolitan Statistical Area (MSA);
- **Del Norte-Humboldt-Mendocino-Trinity (Del Norte) Assessment Area**, which consists of the four non-metropolitan counties of Del Norte, Humboldt, Mendocino, and Trinity, in their entirety;
- **Placer Assessment Area**, which consists solely of Placer County in its entirety, which is part of the Sacramento-Arden-Arcade-Roseville MSA;
- **Sonoma Assessment Area**, which consists of Sonoma County in its entirety, which represents the Santa Rosa-Petaluma MSA; and,
- **Yolo Assessment Area**, which consists of Yolo County in its entirety, which is part of the Sacramento-Arden-Arcade-Roseville MSA.

NVB's financial capacity was constrained for a period of this evaluation as it was subject to a Written Agreement with the Federal Reserve Bank of San Francisco requiring the bank to address the financial soundness of its operations. The agreement was terminated on April 16, 2012. At its previous July 26, 2010 CRA examination, NVB's rating of "Satisfactory" was lowered to "Needs to Improve" due to violations of Section 5(a) of the Federal Trade Commission Act noted at the concurrent compliance examination.

Scope of Examination

The examination of NVB was conducted using the *Interagency Intermediate Small Institution Examination Procedures*. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities. The Shasta and Del Norte assessment areas received full scope reviews, with Shasta being weighted the most heavily due to the predominance of NVB's branches and deposits in that assessment area. Due to lower activity levels, the remaining three assessment areas were evaluated using a limited-scope review. The limited scope procedures are used to determine if performance in these areas is consistent with the bank's overall performance. The evaluation period for the lending test was January 1, 2012 through December 31, 2013 and the evaluation period for the community development test was January 1, 2012 through June 16, 2014.

The evaluation considered the bank's small business lending and its lending reported under the Home Mortgage Disclosure Act. Specifically, the latter included home purchase, home improvement, and home refinance loans. Loans to finance multi-family dwellings were not of sufficient volume for meaningful analysis and were not reviewed. Similarly, small farm loans were not reviewed due to their low volume. Products were weighted according to volume, credit needs, and available opportunities in each assessment area. Accordingly, the evaluation placed the greatest weight on small business loans, followed by home refinance, home purchase, and home improvement loans.

LENDING TEST

The lending test evaluation was based on the following performance criteria:

- Loan volume compared to deposits (Loan-to-Deposit Ratio);
- Lending inside versus outside the assessment area (Lending in Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Lending to businesses of different sizes and borrowers of different income levels (Lending Distribution by Business Revenue and Borrower Income).

Responsiveness to consumer complaints was not evaluated since the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on small business and residential mortgage loans originated during the evaluation period. A total of 417 small business loans were used in the evaluation of Lending in Assessment Area. Of these, 353 loans made within the assessment area were used in the evaluation of Lending Distribution by Geography and Lending Distribution by Business Revenue. A total of 938 residential mortgage loans were used in the evaluation of Lending in Assessment Area. Of these, 784 were used in the evaluation of Lending Distribution by Geography and Lending Distribution by Business Revenue.

COMMUNITY DEVELOPMENT TEST

The community development test included an evaluation of NVB's level of community development activities in relation to local credit needs and opportunities as well as the bank's capacity to participate in such activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

NVB's overall performance under the lending test is satisfactory. The loan-to-deposit ratio and distribution of lending within the assessment areas indicate that NVB is effectively engaging in lending activities within its defined markets. The overall lending distributions are reasonable by geography and by business revenue and borrower income.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio is reasonable. Since the previous CRA examination, the bank's average loan-to-deposit ratio is 63.7 percent as of December 31, 2013. Although the bank's ratio is lower than the state and national ratios, respectively 79.3 percent and 76.6 percent, it is in keeping with the safe and sound operation of the bank and consistent with meeting community credit needs.

LENDING IN ASSESSMENT AREA

A substantial majority of small business and residential mortgage loans were made within the bank's assessment areas. As shown in Exhibit 2 below, the bank extended over 83 percent of its loans by number and 71 percent by dollar within its assessment areas. This distribution of lending indicates that NVB is effectively engaging in lending activities within its assessment areas.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS JANUARY 1, 2012 TO DECEMBER 31, 2013								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	353	84.7	70,845	70.9	64	15.3	29,008	29.1
Small Farm	3	42.9	630	51.2	4	57.1	601	48.8
Total Business-Related	356	84.0	71,475	70.7	68	16.0	29,609	29.3
Home Refinance	599	83.4	106,577	69.8	119	16.6	46,066	30.2
Home Purchase	110	79.7	22,212	66.6	28	20.3	11,154	33.4
Home Improvement	75	91.5	11,417	84.7	7	8.5	2,070	15.3
Multifamily	10	66.7	17,716	86.1	5	33.3	2,851	13.9
Total HMDA-Related	794	83.3	157,922	71.8	159	16.7	62,141	28.2
Total Loans	1,150	83.5	229,397	71.4	227	16.5	91,750	28.6

GEOGRAPHIC AND BORROWER DISTRIBUTION

NVB's geographic and borrower distributions of loans are reasonable. Loans were generally distributed throughout the assessment areas with no conspicuous gaps in lending patterns. In light of contextual economic factors, the lending was generally consistent with the concentration of small businesses and owner-occupied housing units or the representation of families as well as with aggregate lending levels, though in some cases performance exceeded these measures.

RESPONSE TO COMPLAINTS

Responsiveness to consumer complaints was not evaluated because the bank did not receive any CRA-related complaints during the review period.

Community Development Test

NVB's performance under the community development test is outstanding. The bank demonstrated excellent responsiveness to the community development needs of its assessment areas. NVB provided community development loans totaling \$55.4 million, investments totaling \$4.6 million, and over 8,000 hours of community development services (see Exhibit 3 below). Significant portions of NVB's community development loans benefit the Del Norte assessment area and a regional or statewide area that includes the bank's assessment areas. The bank's prior period investment activities addressed affordable housing, while current period investments helped address the need for loans to small businesses, mortgage loans to low- and moderate-income individuals, as well as to affordable housing needs. Community development services primarily supported community organizations that provide social services to low- and moderate-income individuals and families.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Area (s)	Loans		Investments				Services	
	#	\$ ('000s)	Prior Period		Current Period		#	Hours
			#	\$ ('000s)	#	\$ ('000s)		
Shasta	17	7,337	0	0	33	26	54	3,495
Del Norte	28	24,937	0	0	64	23	48	1,999
Placer	6	1,209	0	0	11	2,225	8	840
Sonoma	4	4,795	0	0	7	425	5	136
Yolo	9	4,288	0	0	14	389	14	396
Broader Statewide or Regional Area	28	12,793	3	3,872	14	1,531	16	1,141
Total	92	55,359	3	3,872	136	4,619	145	8,007

NVB also engaged in additional community development lending, investment and service activities that benefited a broader statewide or regional area that includes the bank's assessment areas.¹ These activities addressed various needs, including but not limited to, affordable housing, job creation, economic development, and social services for low- and moderate-income families. Notable examples of these activities include the following:

- A \$3 million prior period investment in a CRA fund that financed a multifamily housing bond for an affordable housing development where 85 percent of the units are set aside for moderate-, low- and very low-income individuals and families. The bank's investment in the fund also financed a loan within a small business loan pool for a business located in a moderate-income area.
- A \$1.5 million current period investment to a foundation that supports crime prevention programs for low- and moderate-income seniors in Shasta and Humboldt Counties. The funds were used to provide crime-free housing for 225 low- and moderate-income seniors.
- A \$1.4 million community development loan to purchase and renovate real-estate in a low-income area for a business that supports job creation for low- and moderate-income residents.
- A \$968,000 SBA 504 loan for the renovation and equipment update for a small business in a county adjacent to the bank's assessment area.
- An \$800,000 community development loan to a nonprofit organization that provides low-cost or free counseling, mental health, housing, vocational and support services to low- and moderate-income individuals and families throughout California.
- Over 115 hours of service as a board member to a special district formed to administer federal and state job training funds for the purpose of education, job training, and employment services.
- Over 100 hours of service as a member of the board of directors of a community foundation administrating the Redding Affordable Housing Fund and grants programs to area nonprofits.

Fair Lending or Other Illegal Practices Review

A review of the bank's compliance with consumer protection laws and regulations was conducted concurrent with this CRA evaluation and did not result in the identification of any violations of the substantive provisions of anti-discrimination, fair lending, or other illegal credit practice rules, laws, or regulation that were inconsistent with helping to meet community credit needs.

¹ With regard to community development loans, in some instances, the loan was outside an assessment area, but was accorded consideration because the bank had satisfactorily addressed the needs within its assessment areas.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

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

Shasta Assessment Area

DESCRIPTION OF OPERATIONS IN SHASTA

The Shasta assessment area consists of Shasta County, in its entirety, which is located in the northern part of the Sacramento Valley. The county is surrounded by Siskiyou and Modoc Counties to the north, Trinity to the west, Lassen to the east, and Tehama and Plumas to the south. The three incorporated cities in Shasta County are Anderson, Redding, and Shasta Lake, with Redding serving as the county seat. As of 2013, the county population was estimated at 178,980² residents.

NVB has a strong presence in the area, ranking 2nd in overall deposit market share among competing institutions in the county. As of June 2013, there were a total of 15 Federal Deposit Insurance Corporation (FDIC)-insured financial institutions operating 47 offices with total deposits of \$2.5 billion in the assessment area. NVB has 10 deposit taking offices located in the county, with total deposits of \$387.8 million.³

Exhibit 4, on the following page, presents key demographic and business information, based on the 2010 U.S. Census and 2013 Dun & Bradstreet data, that is used to help develop a performance context for the assessment area.

² U.S. Census Bureau, American Community Survey 1Yr Estimates, DP02, 2012; available from: <http://factfinder2.census.gov> (accessed May 7, 2014).

³ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2013; available from: <http://www2.fdic.gov/sod/sodMarketBank.asp?barItem=2>, (accessed April 28, 2014).

EXHIBIT 4 ASSESSMENT AREA DEMOGRAPHICS ⁴ SHASTA COUNTY ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	10,384	22.7
Moderate-income	12	25.0	11,294	24.7	2,477	21.9	8,259	18.0
Middle-income	24	50.0	23,698	51.7	2,442	10.3	8,741	19.1
Upper-income	12	25.0	10,813	23.6	911	8.4	18,421	40.2
Total AA	48	100.0	45,805	100.0	5,830	12.7	45,805	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Moderate-income	21,564	9,479	20.8	44.0	9,950	46.1	2,135	9.9
Middle-income	39,940	24,500	53.8	61.3	10,979	27.5	4,461	11.2
Upper-income	15,278	11,595	25.4	75.9	2,597	17.0	1,086	7.1
Total AA	76,782	45,574	100.0	59.4	23,526	30.6	7,682	10.0
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		
		#	%	#	%	#	%	#
Moderate-income	3,480	34.2	3,133	33.5	226	41.7	121	43.1
Middle-income	4,861	47.8	4,480	48.0	256	47.2	125	44.5
Upper-income	1,825	18.0	1,730	18.5	60	11.1	35	12.5
Total AA	10,166	100.0	9,343	100.0	542	100.0	281	100.0
Percentage of Total Businesses		91.9		5.3		2.8		
2012 Median Family Income ⁵			\$53,497		Dec. 2013 Median Housing Value ⁶			\$184,710
2013 HUD Adjusted Median Family Income ⁷			\$54,400		2013 Unemployment Rate ⁸			10.9%

⁴ 2010 U.S. Census and 2013 Dun & Bradstreet Data.

⁵ U.S. Census Bureau, American Community Survey 1Yr Estimates, DP03, 2012; available from: <http://factfinder2.census.gov> (accessed May 7, 2014).

⁶ California Association of Realtors, Sales and Median Prices for Existing Detached Homes; available from: <http://www.car.org/marketdata/data/housingdata/> (accessed April 8, 2014).

⁷ U.S. Department of Housing and Urban Development, Adjusted Median Family Income; available from: <http://www.huduser.org/portal/datasets/il/il13/index.html> (accessed May 21, 2014).

⁸ BLS, LAU, 2012 and 2013 annual average; available from: <http://www.bls.gov/lau/> (accessed May 15, 2014).

ECONOMIC CONDITIONS

Shasta County's economy, which includes a number of key industries anchored by the city of Redding, exited the recession in the first quarter of 2013.⁹ Government, particularly state government, is by far the county's largest employer providing jobs to 21.7 percent of the county's workforce. Government payrolls were expanding during the review period, helping offset losses experienced during the Great Recession. The education and health services sector makes up 19.6 percent of the area's employment, and within the past five years the county has developed into a major health care hub,¹⁰ supported by an increasing elderly population. The county's retail trade sector, employing 15.1 percent of the workforce, is supported by the urban center of Redding.¹¹ In addition to these prominent sectors, Shasta's tourism industry has improved with many travelers coming to the county to enjoy Shasta Lake, Lassen Peak, and many other outdoors attractions. There is also a large sector of specialty agricultural production within the county and increasing efforts are underway to create and market special products and develop ways of supporting a small farm-to-consumer market.¹²

Small businesses also play a prominent role within local industries and provide significant support the overall economy; however, lending to these businesses has been depressed in recent years. According to Dun and Bradstreet data, almost 92 percent of businesses operating in Shasta have gross annual revenues of \$1 million or less. A review of small business loan data reported by banks subject to the CRA suggests that though improving, lending levels remain significantly depressed from their pre-recession levels.¹³ National surveys suggest that depressed demand, uncertainty about the economy, and issues with credit worthiness may also help explain the lower levels of lending to small businesses.¹⁴ Though perhaps less than desired, increasing levels of lending are one sign of the area's strengthening economy.

The improvements in the economy have resulted in a declining unemployment rate, which dropped from 13.3 percent in 2012 to 10.9 percent in 2013. However, during this period of time, there was also a slight decline in the labor force suggesting that, though improving, overall job creation is still weak.¹⁵ Unemployment remains elevated compared to the state rate of 8.9 percent in 2013 and continues to impact a large percentage of the population. At the end of the review period, there were 7,700 unemployed individuals living in the assessment area.¹⁶

⁹ Moody's Analytics, Précis Report, December 2013, Redding.

¹⁰ California Economic Development District, Comprehensive Economic Development Strategy (pg. 16); available from: http://apps.co.shasta.ca.us/BOS_Agenda/MG73673/AS73826/AS73830/AI73838/DO73898/DO_73898.PDF (accessed May 8, 2014).

¹¹ Moody's Analytics, Précis Report, December 2013, Redding.

¹² California Economic Development District, Comprehensive Economic Development Strategy (pp. 17, 20, 21)

¹³ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/aggregate.aspx> (accessed August 14, 2014).

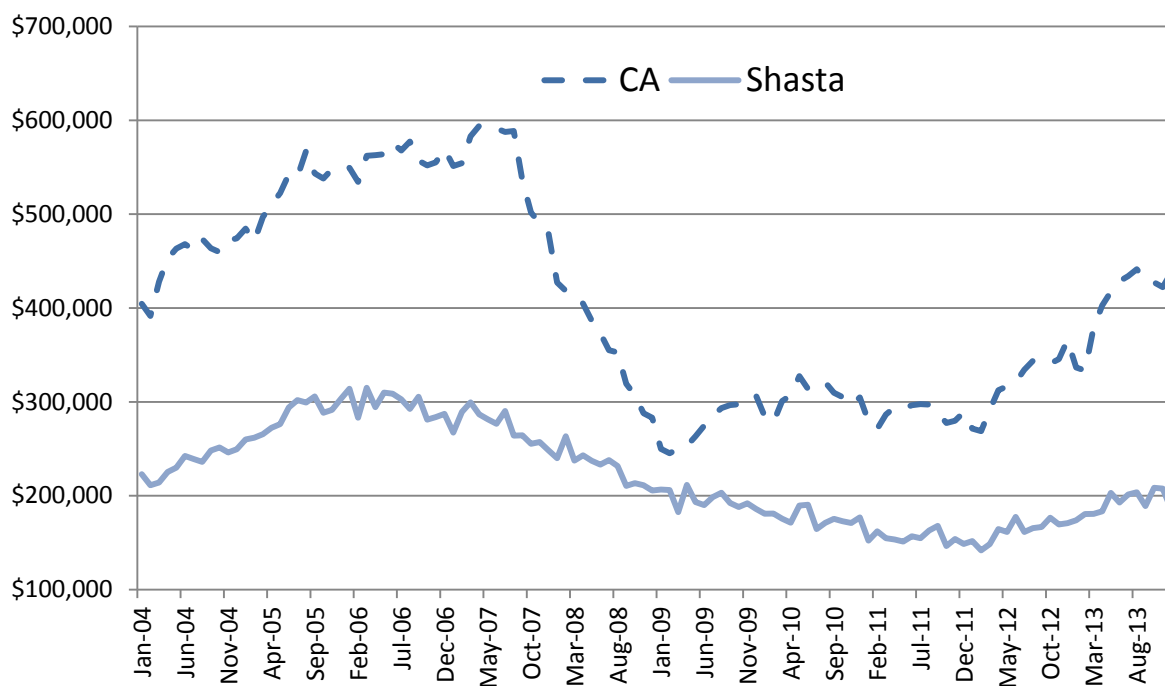
¹⁴ Wiersch, Anne Marie, and Scott Shame. Why Small Business Lending Isn't What It Used to Be. August 14, 2013. Available from: <http://www.clevelandfed.org/research/commentary/2013/2013-10.cfm>. (accessed September 2, 2013).

¹⁵ Moody's Analytics, Précis Report, December 2013, Redding.

¹⁶ Bureau of Labor Statistics, Local Area Unemployment Statistics by County, 2012 and 2013 annual average; available from: <http://www.bls.gov/lau/> (accessed May 7, 2014).

Signs of gradual improvement in the economy can also be seen in the general increase in home prices during the review period. These increases were, however, much more gradual than statewide increases during the same time period as reflected below in Exhibit 5.¹⁷ Due to comparatively low home prices, the 2007 housing crisis impacted the assessment area less severely and at a later point than the state as a whole. While housing prices in the state hit their lowest points around January of 2009, Shasta County home prices did not hit their low point until February of 2012. Since then, supply constraints have caused home prices to rise. More recently, however, a lag in homebuilding over the last few years has pushed up the values of existing homes.¹⁸

EXHIBIT 5
MEDIAN HOME PRICES IN SHASTA COUNTY
2004-2013



Affordability, particularly for low- and moderate-income borrowers, is a challenge in the area. The increase in median home prices since 2012 contributes to increased cost-burdens on households in the assessment area. The estimated mortgage payment of \$992 on a median-priced home¹⁹ is well in excess of the \$680 payment that would be considered affordable for the highest earning moderate-income family (families who pay more than 30 percent of their income for housing are considered cost burdened). In addition to generally being unable to support the level of monthly mortgage payment required for all but the least expensive homes available, lower-income households have a more difficult

¹⁷ California Association of Realtors, Sales and Median Prices for Existing Detached Homes; available from: <http://www.car.org/marketdata/data/housingdata/> (accessed April 29, 2014).

¹⁸ Moody’s Analytics, Précis Report, December 2013, Redding.

¹⁹ Mortgage payment calculated based on the cost of a median-priced home, assumes a 30-year fixed rate of 5 percent with no down-payment. See CNN Money mortgage payment calculator at http://money.cnn.com/calculator/real_estate/mortgage-payment/ (accessed August 12, 2014).

time accumulating the amount necessary for the required down-payment and closing costs.²⁰ In addition, approximately half of all assessment area households spent more than 35 percent of their income on rent at the end of 2012. In light of these issues, the assessment area received a total of \$5.1 million in Low Income Housing Tax Credits in 2012 that were designed to help place new affordable housing units into service.²¹

Poverty rates and food stamp usage suggest that the recent improvements in the economy are beginning to positively impact low- and moderate-income individuals in the assessment area. As can be seen in Exhibit 6 below, there was a marked improvement in Shasta County from 2011 to 2012 with declining rates of unemployment and food stamp usage. These improvements occurred while there were statewide increases in both rates during the same time period. Nevertheless, a significant portion of the population continued to struggle financially with the poverty rate in Shasta County remaining slightly below the state average and the percentage of individuals on food stamps remaining slightly above it.

EXHIBIT 6 ²²				
POVERTY AND FOOD STAMP USAGE RATES				
2011-2012				
Area	Poverty Rate		Food Stamp Usage	
	2011	2012	2011	2012
Shasta County	20.1%	16.6%	11.6%	9.2%
California	16.6%	17.0%	8.3%	9.1%

Credit and Community Development Needs

Economic data previously discussed, as well as feedback from community contacts with small business development agencies, suggest that small businesses within the assessment area need access to a variety of forms of credit. As previously mentioned, data reported by banks subject to the CRA indicate that lending levels remain significantly lower than they were prior to the recession. Further, over 90 percent of respondents to a recent national loan officer survey conducted by Federal Reserve Board of Governors noted that their banks' lending standards to small firms had remained basically unchanged, suggesting that tighter lending standards adopted during the Great Recession may still be an obstacle to many small businesses seeking financing.²³ The depressed lending levels and industry feedback highlight an ongoing concern about access to credit for small businesses within the assessment area. Identified needs for smaller businesses include working capital and start up financing for new businesses. Lines of credit and loans in smaller dollar amounts, including microloans²⁴ are also needed to support for these businesses and the broader local economy.

²⁰ See the 2014-2019 Housing Element Update, page 13; available here http://www.ci.redding.ca.us/documents/HousingElementUpdate_000.pdf.

²¹ California Tax Credit Allocation Committee, 2012 Annual Report (pg. 48, 71); available from: <http://www.treasurer.ca.gov/ctcac> (accessed April 14, 2014).

²² U.S. Census Bureau, American Community Survey 1Yr Estimates, DP03, 2011-2012; available from: <http://factfinder2.census.gov> (accessed May 7, 2014).

²³ The Federal Reserve Board surveys up to eighty large domestic banks and twenty-four U.S. Branches and agencies of foreign banks. Federal Reserve Board, January 2014 Senior Loan Officer Opinion Survey of Selected Large Banks in the United States (pg. 12); available from: <http://www.federalreserve.gov/boarddocs/snloansurvey/201402/default.htm> (accessed February 21, 2014).

²⁴ By "microloan", the contact meant a loan for \$10,000 or less or a loan to a business having five or fewer employees.

Housing data previously discussed in conjunction with informed opinions of community contacts with local housing organizations suggests a need for products and services that support the development of and access to affordable housing for purchase and rental. These products and services include, but are not limited to affordable mortgage products, programs for first-time home buyers, and rental assistance programs. Additionally, the presence of Low-Income Housing Tax credits suggests that opportunities may exist for lenders to partner with recipients of the tax credits to engage in efforts to help enhance availability of affordable housing in the assessment area.

Finally, the prevalence of poverty and the need for social support services such as food stamps, coupled with comments from community contacts suggests that community service organizations serving the assessment area face ongoing demands for their services. This demand, in turn, often results in needs for these organizations in terms of funding, financial support and technical assistance, as they attempt to serve a substantial low- and moderate-income population. Ultimately, these needs result in potential community development service or investment opportunities for financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SHASTA

Lending Test

The lending test performance in Shasta is reasonable. Overall, small business and residential mortgage loans were reasonably distributed throughout assessment area geographies and to businesses of different revenue sizes and borrowers of different incomes.

Lending Distribution by Geography

Driven by the strength of small business lending, the geographic distribution in the Shasta assessment area is excellent. Small business lending demonstrated strong performance among geographies of different income levels, including moderate-income tracts, while the performance for home mortgage loans was reasonable. Loans were generally made in close proximity to bank branches. No unusual or conspicuous gaps were identified.

Small Business Lending

The geographic distribution of small business loans reflects excellent penetration of geographies of different income levels (see Exhibit 7 on the following page). Performance in moderate-income geographies was comparable to the representation of businesses and exceeded the performance of aggregate lenders while performance in other census tracts was generally in line with those measures. Lending levels reflected an improving trend, in line with the strengthening economy in the area.

EXHIBIT 7 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS						
Census Tract	Moderate		Middle		Upper	
	#	%	#	%	#	%
Shasta 2012						
Bank Lending	25	32.9	40	52.6	11	14.5
Aggregate Lending	975	28.7	1,690	49.8	727	21.4
Business Concentration	3,864	33.9	5,466	48.0	2,067	18.1
Shasta 2013						
Bank Lending	33	37.9	44	50.6	10	11.5
Aggregate Lending	792	27.7	1,451	50.8	614	21.5
Business Concentration	3,480	34.2	4,861	47.8	1,825	18.0

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects a reasonable penetration among geographies of different income levels given the affordability challenges in the area. As depicted in Exhibits 8, 9, and 10, the bank's provision of home purchase and home refinance loans were generally consistent with the geographic distribution of owner-occupied housing units and the distribution of aggregate lending. Though the bank made fewer home improvement loans, distributions in moderate-income tracts were stronger for these types of loans.

EXHIBIT 8 GEOGRAPHIC DISTRIBUTION OF HOME REFINANCE LOANS						
Census Tract	Moderate		Middle		Upper	
	#	%	#	%	#	%
Shasta 2012						
Bank Lending	33	13.6	124	51.0	86	35.4
Aggregate Lending	876	17.0	2,549	49.4	1,735	33.6
Owner Occupied Housing	9,479	20.8	24,500	53.8	11,595	25.4
Shasta 2013						
Bank Lending	38	20.0	98	51.6	54	28.4
Aggregate Lending	816	18.3	2,331	52.4	1,301	29.2
Owner Occupied Housing	9,479	20.8	24,500	53.8	11,595	25.4

EXHIBIT 9 GEOGRAPHIC DISTRIBUTION OF HOME PURCHASE LOANS						
Census Tract	Moderate		Middle		Upper	
	#	%	#	%	#	%
Shasta 2012						
Bank Lending	5	16.7	14	46.7	11	36.7
Aggregate Lending	552	21.5	1,373	53.5	641	25.0
Owner Occupied Housing	9,479	20.8	24,500	53.8	11,595	25.4
Shasta 2013						
Bank Lending	6	19.4	14	45.2	11	35.5
Aggregate Lending	641	23.2	1,455	52.6	668	24.2
Owner Occupied Housing	9,479	20.8	24,500	53.8	11,595	25.4

EXHIBIT 10 GEOGRAPHIC DISTRIBUTION OF HOME IMPROVEMENT LOANS						
Census Tract	Moderate		Middle		Upper	
	#	%	#	%	#	%
Shasta 2012						
Bank Lending	6	24.0	8	32.0	11	44.0
Aggregate Lending	19	17.1	63	56.8	29	26.1
Owner Occupied Housing	9,479	20.8	24,500	53.8	11,595	25.4
Shasta 2013						
Bank Lending	4	20.0	7	35.0	9	45.0
Aggregate Lending	24	13.5	105	59.0	49	27.5
Owner Occupied Housing	9,479	20.8	24,500	53.8	11,595	25.4

Lending Distribution by Borrower Income and Business Revenue

The overall distribution of small business loans among businesses of different sizes and of residential mortgage loans among borrowers of different incomes is reasonable.

Small Business Lending

Lending distribution of small business loans demonstrated a reasonable penetration among businesses of different sizes (refer to Exhibit 11 on the following page). The bank extended the majority of its small business loans to businesses with gross annual revenues of \$1 million or less, exceeding the level of lending by aggregate lenders. In keeping with the improving economy, the bank showed an increasing trend with regard to the level of lending to small businesses. In addition, a significant majority of the loans extended were in amounts of \$100,000 or less. The level of lending to small businesses and the high percentage of smaller dollar loans helped address previously mentioned challenges regarding access to credit for small businesses and the need for smaller dollar loans within the bank's community.

EXHIBIT 11 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2012	76	51.3	92.1	41.3	65.8	21.1	13.2
2013	87	56.3	91.9	48.8	62.1	21.8	16.1

Home Mortgage Lending

The distribution of home mortgage loans among borrowers of different incomes is reasonable. As depicted in Exhibits 12, 13 and 14, the bank’s provision of home mortgage loans to borrowers of all income levels is generally consistent with performance of the aggregate market. NVB was particularly effective in extending loans to moderate-income borrowers. Performance was not as strong for low-income borrowers, particularly for home purchase loans, though NVB often exceeded the performance of aggregate lenders. NVB’s overall extension of loans to low- and moderate-income borrowers is responsive to its community particularly in light of the affordability issues and unemployment levels within the bank’s community previously discussed.

EXHIBIT 12 BORROWER DISTRIBUTION OF HOME REFINANCE LOANS								
Borrower Income	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Shasta 2012								
Bank Lending	22	9.1	51	21.0	49	20.2	121	49.8
Aggregate Lending	300	6.7	686	15.4	1,014	22.8	2,450	55.1
Families	10,384	22.7	8,259	18.0	8,741	19.1	18,421	40.2
Shasta 2013								
Bank Lending	20	10.7	32	17.1	50	26.7	85	45.5
Aggregate Lending	310	8.1	542	14.1	839	21.8	2,159	56.1
Families	10,384	22.7	8,259	18.0	8,741	19.1	18,421	40.2

EXHIBIT 13 BORROWER DISTRIBUTION OF HOME PURCHASE LOANS								
Borrower Income	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Shasta 2012								
Bank Lending	2	6.9	7	24.1	3	10.3	17	58.6
Aggregate Lending	265	10.8	609	24.9	628	25.7	943	38.6
Families	10,384	22.7	8,259	18.0	8,741	19.1	18,421	40.2
Shasta 2013								
Bank Lending	1	3.2	7	22.6	7	22.6	16	51.6
Aggregate Lending	149	5.9	493	19.6	709	28.2	1,165	46.3
Families	10,384	22.7	8,259	18.0	8,741	19.1	18,421	40.2

EXHIBIT 14 BORROWER DISTRIBUTION OF HOME IMPROVEMENT LOANS								
Borrower Income	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Shasta 2012								
Bank Lending	4	16.0	11	44.0	5	20.1	5	20.0
Aggregate Lending	12	10.9	30	27.3	28	25.5	40	36.4
Families	10,384	22.7	8,259	18.0	8,741	19.1	18,421	40.2
Shasta 2013								
Bank Lending	4	20.0	6	30.0	3	15.0	7	35.0
Aggregate Lending	8	4.8	30	18.1	33	19.9	95	57.2
Families	10,384	22.7	8,259	18.0	8,741	19.1	18,421	40.2

Community Development Test

NVB's performance under the community development test demonstrates an excellent level of community development activities that were responsive to the identified needs of the assessment area, including affordable housing, job creation and retention, and the provision of social services to low- and moderate-income individuals and families.

Community Development Lending

NVB originated 17 community development loans totaling approximately \$7.3 million during the review period. Six of the 17 loans contributed to the creation and retention of jobs, another six contributed to the revitalization and stabilization of moderate-income geographies or Enterprise Zones, three loans supported affordable housing, and the remaining two supported the provision of social services to low- and moderate-income individuals and families. These loans helped create or retain approximately 12 jobs and 146 units of affordable housing, thereby helping support the local economy and creating housing affordable to low- and moderate-income individuals. Illustrative community development loans include:

- A \$3.4 million loan for a multi-family affordable housing complex located in a moderate-income census tract. The loan financed 84 units of housing with rents that were below the fair market rent as published by HUD for the county.
- A loan in the amount of \$557,230 to fund the acquisition of commercial real estate and the expansion of a business operating in an Enterprise Zone.
- A \$104,167 participation in a loan to a nonprofit underwritten by the Redding Affordable Housing Fund to assist with the pre-development cost of making improvements to an existing historic property in order to provide 60 affordable housing units for low-income seniors.
- A working capital in the amount of \$50,000 to a medical clinic primarily serving low- and moderate-income individuals.

Community Development Investments

The bank's community development investment activity consisted of 33 donations totaling \$26,515 to primarily organizations providing social services to low- and moderate-income individuals and families. A number of the investments benefitting broader statewide or regional areas also benefitted the Shasta area. Illustrative organizations receiving community development donations include:

- An emergency shelter for women and their children who are victims of domestic violence.
- A nonprofit providing a mentoring program for at-risk youth and child care programs for low-income families.
- A foundation that provides meals and emergency food to senior citizens and advocates for disabled seniors, including obtaining health care.
- A public high school where 65 percent of the student body is eligible for the federal free or reduced lunch programs.

Community Development Services

Lastly, the bank provided 3,495 hours of community development services to various organizations. The vast majority by number (42 in total) of these activities entailed providing technical expertise to organizations that provide social services for low- and moderate-income individuals. The remaining activities addressed affordable housing and the revitalization of low- and moderate-income geographies. Illustrative community development services include:

- Nearly 500 hours over the course of the review period serving as financial director for an organization that provides grant money and raises funds for organizations or causes benefiting low- to moderate- income people and that promotes financial literacy through educational events.
- Nearly 400 hours serving as treasurer for a club that provides social services at a high school where 62 percent of the students are on the free/reduced price lunch programs.
- Fifty hours serving as chair of a grant program being offered to women with a financial need to assist them with obtaining training skills and education to better their lives.
- Over 45 hours reporting donations and managing funds collected in connection with a Habitat for Humanity home for a low-income family.

Del Norte Assessment Area

DESCRIPTION OF OPERATIONS IN DEL NORTE

The Del Norte assessment area includes the non-metropolitan counties of Del Norte, Humboldt, Mendocino, and Trinity, in their entireties. The counties are the four northernmost California counties along the west coast.

- Del Norte County, with a population of 28,496, is part of the Crescent City Micropolitan Statistical Area;
- Humboldt County, with a population of 134,317, is part of the Eureka-Arcata-Fortuna Micropolitan Statistical Area;
- Mendocino County, with a population of 87,577, is part of the Ukiah Micropolitan Statistical Area;
- Trinity County, with a population of 13,693, is not part of a Micropolitan Statistical Area.²⁵

NVB has a strong presence in the area; making up 8.6 percent of the deposit market share for the assessment area. As of June 2013, there were a total of 11 FDIC-insured financial institutions operating 61 offices with total deposits of \$3.3 billion in the assessment area. NVB has nine deposit taking offices located within the assessment area, with total deposits of \$281.1 million.²⁶

Exhibit 15, on the following page, presents key demographic and business information based on the 2010 U.S. Census and 2013 Dun & Bradstreet data, that is used to help develop a performance context for the assessment area.

²⁵ U.S. Census Bureau, American Community Survey 5Yr Estimates, DP02, 2012; available from: <http://factfinder2.census.gov> (accessed May 14, 2014).

²⁶ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2013; available from: <http://www2.fdic.gov/sod/sodMarketBank.asp?barItem=2>, (accessed May 15, 2014).

EXHIBIT 15 ASSESSMENT AREA DEMOGRAPHICS ²⁷ DEL NORTE ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	1.5	387	0.6	194	50.1	15,063	23.9
Moderate-income	18	27.7	13,690	21.7	2,166	15.8	11,926	18.9
Middle-income	36	55.4	42,377	67.2	4,891	11.5	12,638	20.0
Upper-income	7	10.8	6,642	10.5	247	3.7	23,469	37.2
Tract not reported	3	4.6	0	0	0	0	0	0
Total AA	65	100	63,096	100	7,498	11.9	63,096	100
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	751	455	0.7	60.6	296	39.4	0	0
Moderate-income	28,557	12,176	19.3	42.6	11,849	41.5	4,532	15.9
Middle-income	79,100	42,491	67.2	53.7	26,180	33.1	10,429	13.2
Upper-income	12,198	8,078	12.8	66.2	2,920	23.9	1,200	9.8
Total AA	120,606	63,200	100	52.4	41,245	34.2	16,161	13.4
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	88	0.7	76	0.6	6	0.8	6	1.3
Moderate-income	3,707	28.3	3,324	28.0	213	28.6	170	35.7
Middle-income	7,984	61.0	7,240	61.0	482	64.7	262	55.0
Upper-income	1,314	10.0	1,232	10.4	44	5.9	38	8.0
Total AA	13,093	100	11,872	100	745	100	476	100
Percentage of Total Businesses			90.7		5.7		3.6	
2012 Median Family Income ²⁸			Dec 2013 Median Housing Value ²⁹					
Del Norte County			\$52,813		Del Norte County		N/A	
Humboldt County			\$53,187		Humboldt County		\$254,170	
Mendocino County			\$53,489		Mendocino County		\$278,570	
Trinity County			\$46,373		Trinity County		N/A	
2013 HUD Adjusted Median Family Income ³⁰			2013 Unemployment Rates ³¹					
Del Norte County			\$55,100		Del Norte County		11.6%	
Humboldt County			\$54,400		Humboldt County		8.8%	
Mendocino County			\$49,900		Mendocino County		7.7%	
Trinity County			\$49,600		Trinity County		12.8%	

²⁷ 2010 U.S. Census and 2013 Dun & Bradstreet Data.

²⁸ U.S. Census Bureau, American Community Survey 5Yr Estimates, DP03, 2012; available from: <http://factfinder2.census.gov> (accessed May 14, 2014).

²⁹ California Association of Realtors, Sales and Median Prices for Existing Detached Homes; available from: <http://www.car.org/marketdata/data/housingdata/> (accessed April 8, 2014).

³⁰ U.S. Department of Housing and Urban Development, Adjusted Median Family Income; available from: <http://www.huduser.org/portal/datasets/il/il13/index.html> (accessed May 21, 2014).

³¹ Bureau of Labor Statistics, Local Area Unemployment Statistics by County, 2012 and 2013 annual average; available from: <http://www.bls.gov/lau/> (accessed May 15, 2014).

Economic Conditions

The economy of the four-county assessment area showed modest signs of improvement overall, with the exception of Del Norte County. For context regarding each county's impact on the overall economy, Humboldt County had a total of 45,800 wage and salary jobs in 2012 followed by Mendocino with 29,200 jobs, Del Norte with 7,800 jobs, and Trinity with only 2,800 jobs. Over the course of 2012, most major sectors of Humboldt County's economy were characterized by job losses with offsetting gains in leisure and hospitality; transportation and utilities; wholesale and retail trade; and government that resulted in the first overall increase in jobs since 2007.³² Mendocino County experienced more modest gains in jobs with most employment sectors being characterized by positive job growth. The largest employment gains occurred in education and healthcare; manufacturing; leisure and hospitality; and mining and natural resources.³³ Conversely, Del Norte County experienced a modest net loss in jobs with mixed results across the major employment sectors. The largest gains were observed in agriculture and miscellaneous services and the largest losses occurred in professional and business services; trade, transportation and utilities; government; and manufacturing. The public sector lost the largest number of positions.³⁴ Trinity County also experienced modest overall improvement in job creation in 2012 with the largest increases observed in miscellaneous services; leisure and hospitality; utilities and trade; and manufacturing and construction. No sectors were characterized by significant losses.³⁵

As in the Shasta assessment area, small businesses also play a prominent role in the local economy. According to Dun and Bradstreet data, 90.7 percent of businesses operating in the assessment area have gross annual revenues of \$1 million or less. Recent modest increases in lending to small businesses also suggest that the economy is gradually improving; however, similar to the Shasta assessment area, lending remains significantly below pre-recession levels³⁶ suggesting small businesses within the assessment continue to face challenges. As noted previously, the depressed lending levels raise concerns that smaller businesses have hampered access to credit, though some surveys suggest that, depressed demand, uncertainty about the economy, and issues with credit worthiness may also help explain the lower levels of lending to small businesses.

Similar to the overall net job gains in 2012 discussed above, continued decreases in annual unemployment rates through 2013 suggest further strengthening of the economy. Exhibit 16 on the following page depicts the changes in annual unemployment rates by county and for the state as a whole.³⁷ Despite the decrease in unemployment rates, however, the labor force also decreased slightly indicating that overall job creation is still weak. The unemployment rates in the two most populated counties, Humboldt and Mendocino, remained slightly lower than the statewide unemployment rate at the end of 2013, while the unemployment rates in Del Norte and Trinity Counties were higher.

³² Department of Transportation, Humboldt County Economic Forecast: available from: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2013/Humboldt.pdf (accessed May 15, 2014).

³³ Department of Transportation, Mendocino County Economic Forecast: available from: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2013/Mendocino.pdf (accessed May 15, 2014).

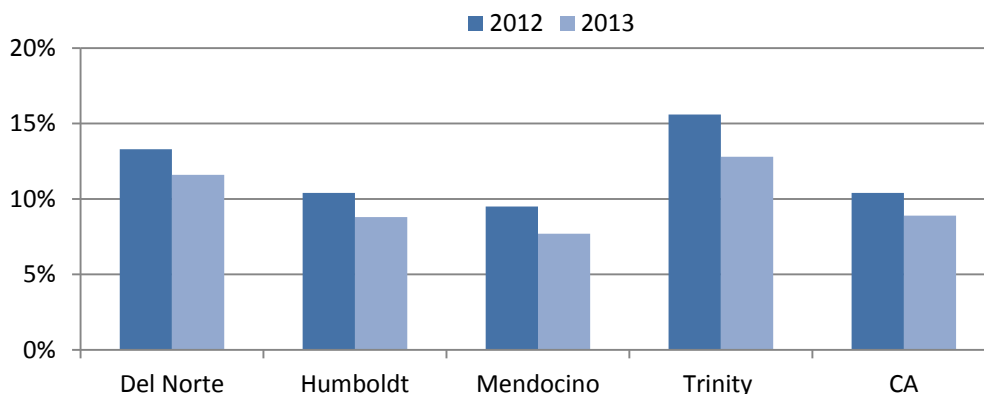
³⁴ Department of Transportation, Del Norte County Economic Forecast: available from: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2013/Del_Norte.pdf (accessed May 15, 2014).

³⁵ Department of Transportation, Trinity County Economic Forecast: available from: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2013/Trinity.pdf (accessed May 15, 2014).

³⁶ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/aggregate.aspx> (accessed August 14, 2014).

³⁷ Bureau of Labor Statistics, Local Area Unemployment Statistics by County, 2012 and 2013 annual average; available from: <http://www.bls.gov/lau/> (accessed May 15, 2014).

EXHIBIT 16
ANNUAL UNEMPLOYMENT RATES
2012-2013



Housing data provides an overall indication of an improving housing sector in assessment areas along with challenges associated with housing affordability. Data is not available for Del Norte or Trinity counties; however, median home prices in Humboldt County increased 16 percent during the review period rising from \$220,000 in January 2012 to \$254,170 in December 2013. The estimated mortgage payment of \$1,454 on a median-priced home³⁸ is slightly above the \$1,360 payment that would be considered affordable for the highest earning moderate-income family. In Mendocino County, home prices increased 47 percent during the review period rising from \$190,000 to \$278,750.³⁹ With a higher median home price and lower median family income than Humboldt County, affordability presents a similar challenge in Mendocino County. Rental costs have also increased during this time. As reflected below in Exhibit 17, the percentage of households paying in excess of 35 percent of their income on rent is elevated in all counties, though the percentage in Del Norte did decline slightly from 2011 to 2012.⁴⁰ In 2012, the assessment area received \$4.1 million in Low-Income Housing Tax Credits that were designed to help address the affordability issues by providing an opportunity to place new affordable housing units into service.

EXHIBIT 17 PERCENTAGE OF HOUSEHOLDS PAYING MORE THAN 35 PERCENT OF INCOME ON RENT		
Area	2011	2012
Del Norte County	51.1%	49.7%
Humboldt County	52.3%	53.0%
Mendocino County	48.6%	52.4%
Trinity County	40.8%	45.5%
California	46.3%	47.1%

³⁸ Mortgage payment calculated based on the cost of a median-priced home, assumes a 30-year fixed rate of 5 percent with no down-payment. See CNN Money mortgage payment calculator at http://money.cnn.com/calculator/real_estate/mortgage-payment/ (accessed August 12, 2014).

³⁹ Due to the scarcity in population, no housing data were available for Trinity and Del Norte Counties, and the data for Mendocino County were variable due to the small sample size.

⁴⁰ U.S. Census Bureau, American Community Survey 5Yr Estimates, DP04, 2011-2012; available from: <http://factfinder2.census.gov> (accessed May 14, 2014).

Finally, poverty and food stamp usage rates highlight that portions of the assessment area remain economically challenged despite the modest improvements in the economy. Between 2011 and 2012, the percentage of people living below the poverty line was either flat or increasing across the assessment area, while the percentage of families on food stamps increased in every county except for Trinity as seen in Exhibit 18.⁴¹ In addition, the number of distressed middle-income census tracts increased from seven in 2012 to a total of 33 in 2013 due to increasing poverty levels. The increase in distressed middle-income census tracts is indicative of areas in need of revitalization or stabilization.

EXHIBIT 18 POVERTY AND FOOD STAMP USAGE RATES 2011-2012				
Area	Poverty Rate		Food Stamp Usage	
	2011	2012	2011	2012
Del Norte County	21.2%	21.5%	12.1%	13.6%
Humboldt County	18.4%	19.7%	7.7%	8.2%
Mendocino County	17.8%	19.4%	8.2%	9.8%
Trinity County	17.6%	17.7%	8.0%	7.1%
California	16.6%	17.0%	8.3%	9.1%

Credit and Community Development Needs

The economic data previously discussed as well as feedback from community contacts within a variety of community development organizations noted community development needs and opportunities consistent with those outlined in the Shasta assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DEL NORTE

Lending Test

The lending test performance in Del Norte is reasonable. Overall, small business and residential mortgage loans were reasonably distributed throughout assessment area geographies and to businesses of different revenue sizes and borrowers of different incomes.

Lending Distribution by Geography

The geographic distributions of small business and residential mortgage loans reflect a reasonable penetration among geographies of different income levels. Loans were generally made in close proximity to NVB branches. No unusual or conspicuous gaps were identified.

Small Business Lending

The geographic distribution of small business loans reflects a reasonable penetration among geographies of different income levels. Exhibit 19, on the following page, reflects data regarding the bank's small business lending performance. NVB extended loans in all income categories during the

⁴¹ U.S. Census Bureau, American Community Survey 5Yr Estimates, DP03, 2011-2012; available from: <http://factfinder2.census.gov> (accessed May 14, 2014).

review period with good performance in penetrating moderate-income geographies. In addition, the bank extended loans in distressed middle-income geographies. In 2012, four of the 30 loans made in middle-income geographies were to businesses in distressed middle-income geographies. In 2013, all 29 loans were made to businesses in distressed middle-income geographies, including those geographies newly designated as distressed. NVB’s lending helped address the economically challenged areas of the bank’s assessment area that particularly in need of revitalization or stabilization. Inconsistent lending in low-income tracts may be reflective of the small numbers of businesses – and therefore, limited opportunities – within that census tract.

EXHIBIT 19 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Del Norte 2012								
Bank Lending	0	0.0	11	26.2	30	71.4	1	2.4
Aggregate Lending	18	0.5	912	24.6	2,374	64.2	396	10.7
Business Concentration	101	0.7	4,085	28.1	8,909	61.2	1,456	10.0
Del Norte 2013								
Bank Lending	2	5.4	6	16.2	29	78.4	0	0.0
Aggregate Lending	15	0.5	727	24.4	1,948	65.3	291	9.8
Business Concentration	88	0.7	3,707	28.3	7,984	61.0	1,314	10.0

Home Mortgage Lending

Overall, the geographic distribution of home mortgage loans reflects a reasonable penetration among geographies of different income levels for each product (see exhibits 20, 21 and 22). While there were some variations of performance across products, NVB’s lending during the review period reflects overall reasonable penetration into moderate-income geographies relative to the percentage of owner-occupied housing units and aggregate lending percentages. While performance is not as strong in low-income geographies, performance is nevertheless reasonable given the assessment area houses only one low-income geography which contains less than one percent of the assessment area’s owner-occupied housing units.

EXHIBIT 20 GEOGRAPHIC DISTRIBUTION OF HOME REFINANCE LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Del Norte 2012								
Bank Lending	0	0.0	13	20.6	45	71.4	5	7.9
Aggregate Lending	3	0.1	666	14.1	3,398	71.8	666	14.1
Owner Occupied Housing	455	0.7	12,176	19.3	42,491	67.2	8,078	12.8
Del Norte 2013								
Bank Lending	2	2.8	7	9.7	61	84.7	2	2.8
Aggregate Lending	5	0.1	711	16.9	2,941	70.0	546	13.0
Owner Occupied Housing	455	0.7	12,176	19.3	42,491	67.2	8,078	12.8

EXHIBIT 21 GEOGRAPHIC DISTRIBUTION OF HOME PURCHASE LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Del Norte 2012								
Bank Lending	0	0.0	6	42.9	8	57.1	0	0.0
Aggregate Lending	5	0.3	286	15.4	1,380	74.2	188	10.1
Owner Occupied Housing	455	0.7	12,176	19.3	42,491	67.2	8,078	12.8
Del Norte 2013								
Bank Lending	0	0.0	3	13.6	19	86.4	0	0.0
Aggregate Lending	3	0.2	292	14.9	1,455	74.2	210	10.7
Owner Occupied Housing	455	0.7	12,176	19.3	42,491	67.2	8,078	12.8

EXHIBIT 22 GEOGRAPHIC DISTRIBUTION OF HOME IMPROVEMENT LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Del Norte 2012								
Bank Lending	0	0.0	2	13.3	13	86.7	0	0.0
Aggregate Lending	0	0.0	9	8.4	89	83.2	9	8.4
Owner Occupied Housing	455	0.7	12,176	19.3	42,491	67.2	8,078	12.8
Del Norte 2013								
Bank Lending	0	0.0	0	0.0	11	100.0	0	0.0
Aggregate Lending	1	0.8	19	15.7	84	69.4	17	14.0
Owner Occupied Housing	455	0.7	12,176	19.3	42,491	67.2	8,078	12.8

Lending Distribution by Borrower Income and Business Revenue

Overall borrower distribution is reasonable, as reflected by a reasonable distribution of small business loans among businesses of different sizes and an excellent distribution of residential mortgage loans among borrowers of different incomes.

Small Business Lending

The distribution of small business loans demonstrates a reasonable penetration among businesses of different sizes. As shown in Exhibit 23 on the following page, though there was a declining trend, the bank extended a significant portion or a majority of its small business loans to businesses with gross annual revenues of \$1 million or less. Performance was comparable or better to that of aggregate lenders. NVB provided a high percentage of its loans in amounts of \$100,000 or less. The high percentage of lending to small businesses and in smaller dollar amounts helped address previously mentioned challenges regarding access to credit for small businesses and the need for smaller dollar loans within the bank’s community.

EXHIBIT 23 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2012	42	57.1	91.1	45.8	52.4	19.0	28.6
2013	37	48.6	90.7	51.0	67.6	16.2	16.2

Home Mortgage Lending

The lending distribution of home mortgage loans demonstrates an excellent penetration among borrowers of different income levels. As depicted in Exhibits 24, 25 and 26, NVB extended loans to borrowers of all income levels with levels to low- and moderate-income borrowers for the most part, exceeding the performance of aggregate lenders. Compared the representation of families, performance for moderate-income borrowers was generally comparable to, and in some cases exceeded, the representation of such families in the area. Relative to low-income families, the bank's performance was generally below the representation of such families; however, is relatively strong in light of the affordability issues, high levels of poverty, and the unemployment levels previously discussed.

EXHIBIT 24 BORROWER DISTRIBUTION OF HOME REFINANCE LOANS								
Borrower Income	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Del Norte 2012								
Bank Lending	3	4.8	15	23.8	19	30.2	26	41.3
Aggregate Lending	209	5.0	582	13.9	1,035	24.7	2,362	56.4
Families	15,063	23.9	11,926	18.9	12,638	20.0	23,469	37.2
Del Norte 2013								
Bank Lending	5	6.9	16	22.2	16	22.2	35	48.6
Aggregate Lending	278	7.3	565	15.0	891	23.6	2,044	54.1
Families	15,063	23.9	11,926	18.9	12,638	20.0	23,469	37.2

EXHIBIT 25 BORROWER DISTRIBUTION OF HOME PURCHASE LOANS								
Borrower Income	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Del Norte 2012								
Bank Lending	1	7.1	6	42.9	2	14.3	5	35.7
Aggregate Lending	76	4.3	410	23.2	530	29.9	754	42.6
Families	15,063	23.9	11,926	18.9	12,638	20.0	23,469	37.2
Del Norte 2013								
Bank Lending	0	0.0	4	19.0	3	14.3	14	66.7
Aggregate Lending	75	4.1	351	19.1	560	30.4	856	46.5
Families	15,063	23.9	11,926	18.9	12,638	20.0	23,469	37.2

EXHIBIT 26 BORROWER DISTRIBUTION OF HOME IMPROVEMENT LOANS								
Borrower Income	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Del Norte 2012								
Bank Lending	1	7.1	6	42.9	3	21.4	4	28.6
Aggregate Lending	4	4.0	19	19.0	31	31.0	46	46.0
Families	15,063	23.9	11,926	18.9	12,638	20.0	23,469	37.2
Del Norte 2013								
Bank Lending	1	9.1	3	27.3	3	27.3	4	36.4
Aggregate Lending	8	6.8	17	14.5	39	33.3	53	45.3
Families	15,063	23.9	11,926	18.9	12,638	20.0	23,469	37.2

Community Development Test

NVB's performance under the community development test demonstrates an excellent level of community development activities that were responsive to the identified needs of the assessment area, including affordable housing, job creation and retention, and the provision of social services to low- and moderate-income individuals and families.

Community Development Lending

NVB originated 28 community development loans totaling approximately \$24.9 million during the evaluation period. Ten of the 28 loans contributed to the revitalization and stabilization of low- or moderate-income geographies, nine loans assisted with the provision of social services to low- and moderate-income individuals and families, five supported the continuing operations of small businesses located in revitalization areas, and four helped the creation of affordable housing. Illustrative community development loans include:

- Two loans totaling nearly \$7 million to a tribal housing authority to fund the development of two affordable housing projects that would provide 40 units of housing to low- and moderate-income tribe members.
- A \$5.5 million construction loan to assist with the remodeling of a vacant commercial building located in the Eureka Enterprise Zone. Once the improvements are completed, not only will it help to revitalize the area, it will house a US Department of Veterans Affairs outpatient clinic, providing health services to low- and moderate-income veterans, among others.
- A \$1 million line of credit to a local government agency, serving distressed geographies, using the line to cover potential cash shortfalls.
- Another loan in amount of \$567,240 to a charitable organization to support its expansion of services to the homeless.
- A \$446,000 loan to a business to finance the purchase of a movie theater in an area targeted for revitalization.

Community Development Investments

The bank's direct community development investment activity consisted of 64 donations totaling \$23,606 to a variety of organizations, addressing the needs of low- and moderate-income individuals and families. However, investments benefitting the broader statewide or regional area also had a positive impact on the Del Norte assessment area. Illustrative organizations receiving community development donations include:

- A shelter for women who are victims of domestic violence.
- An organization providing job training skills for disadvantage youth.
- Public schools where the majority of the students are eligible for the free and reduced lunch program.

Community Development Services

The bank provided 1,999 hours of community development services to various organizations. The vast majority of these activities addressed the needs of low- and moderate-income individuals and economic development for distressed areas. Illustrative community development services include:

- Over 300 hours serving as a board member several area chambers of commerce. The chambers facilitate economic revitalization, low-income housing, and providing services to small businesses in Enterprise Zones and distressed and/or underserved geographies within the assessment area.
- Over 200 hours of service on the board of directors for a nonprofit that provides services, including but not limited to, housing, social services and mental health care to foster children and at-risk youth.
- Over 175 hours providing fundraising, financial oversight and bookkeeping services to the board of an agency serving abused children who are wards of the court.
- Approximately 60 hours providing banking and notary services to the residents of a subsidized senior housing facility.

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

NVB’s performance in the assessment areas receiving a limited review is generally consistent with the areas receiving a full-scope review. Due to a smaller presence and lower percentage of loan and deposit activity, performance within these assessment areas received less weight than the performance within the full-scope assessment areas. Consequently, performance in these assessment areas did not materially affect the bank’s overall lending and community development test performance

Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

EXHIBIT 27 LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS		
ASSESSMENT AREAS	LENDING TEST	COMMUNITY DEVELOPMENT TEST
Placer County	Consistent	Consistent
Sonoma County	Consistent	Consistent
Yolo County	Consistent	Consistent

NVB’s performance under the lending test is characterized by a geographic distribution of business loans that showed strong penetration into low- and moderate-income geographies. While the level of lending to small businesses varied by assessment area, overall levels compared reasonably to aggregate lending and the percentage of small businesses. Significant improvements in lending to small businesses over the review period were noted for Placer and Yolo counties. Volumes of lending for other loan products were insufficient for meaningful analysis.

The bank’s performance under the community development test is characterized by loans that supported the revitalization of targeted areas, the provision of social services to low- and moderate-income individuals and families, the expansion of small businesses creating jobs, and affordable housing.

APPENDIX A

GLOSSARY OF TERMS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision 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. Census tracts 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: All Agencies have adopted the following language. Affordable housing (including multifamily rental 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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-scope review: Performance under the lending and community development tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, responsiveness).

Geography: A census tract delineated by the United States 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 (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes 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.

Limited-scope review: Performance under the lending and community development tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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.

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 reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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.

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.

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

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include 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.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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 \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

LIMITED-SCOPE ASSESSMENT AREA MARKET PROFILES

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

- United States Census Bureau, State & County QuickFacts, at <http://quickfacts.census.gov/qfd/index.html>; accessed May 14, 2014.
- Federal Deposit Insurance Corporation, Deposit Market Share Reports, at <http://www2.fdic.gov/sod/>; accessed May 13, 2014.
- Federal Financial Institutions Examination Council, Community Reinvestment Act, <http://www.ffiec.gov/craadweb/aggregate.aspx>; accessed May 13, 2014.
- Dun & Bradstreet data. 2010 U.S. Census and 2013 Dun & Bradstreet Data
- U.S. Census Bureau, American Community Survey 1Yr Estimates, DP03, 2012; available from: <http://factfinder2.census.gov> (accessed May 7, 2014).
- U.S. Department of Housing and Urban Development, Adjusted Median Family Income; available from: <http://www.huduser.org/portal/datasets/il/il13/index.html> (accessed May 21, 2014).

Placer

The Placer assessment area consists of Placer County, in its entirety, which is part of the Sacramento-Arden-Arcade-Roseville MSA. The county is surrounded by Nevada County to the north, Sacramento County and El Dorado County to the south, and Sutter County and Yuba County to the west. To the east, Placer County is bordered by the State of Nevada's Washoe County. There are six incorporated cities and towns in Placer County: Auburn, Colfax, Lincoln, Roseville, Rocklin, and the Town of Loomis. Placer County approximately two hundred and twenty miles southeast from North Valley Bank's headquarters in Redding, California. Placer County's 2013 population was estimated at 367,309.

North Valley Bank has a limited presence in this assessment area, with one branch in Roseville, the most populous incorporated city in the county. As of June 30, 2013, this one office held \$27.2 million in deposits, representing a 0.3 percent market share, and ranked 25th out of 30 FDIC-insured financial institutions operating 113 offices. Deposits in the assessment area are concentrated in primarily three large national banks, operating 36 offices in the assessment area. Collectively, these three banks held 64.9 percent of assessment area deposits.

There is notable competition for small business and home mortgage loans in the assessment area. For 2012, 58 large banks reported data regarding small business lending under the CRA. Data for 2013 were not available as of this writing. In 2012, 422 lenders reported data regarding home mortgage lending in the Placer assessment area. In 2013, 432 lenders reported such data.

Exhibits 28, 29 and 30 on page B-3 and B-4, respectively, present key demographic and business information used to help develop a performance context for the assessment area.

EXHIBIT 28 ASSESSMENT AREA DEMOGRAPHICS PLACER								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	12,910
Moderate-income	8	9.4	7,267	7.9	7.9	526	7.2	13,594
Middle-income	35	41.2	34,822	37.7	37.7	1,825	5.2	17,686
Upper-income	41	48.2	50,165	54.4	54.4	1,512	3	48,064
Tract not reported	1	1.2	0	0	0	0	0	0
Total AA	85	100.0	92,254	100.0	100.0	3,863	4.2	92,254
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Moderate-income	13,625	6,006	6.4	44.1	5,225	38.3	2,394	17.6
Middle-income	64,644	37,234	39.5	57.6	15,958	24.7	11,452	17.7
Upper-income	70,919	50,966	54.1	71.9	13,764	19.4	6,189	8.7
Total AA	149,188	94,206	100.0	63.1	34,947	23.4	20,035	13.4
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		
		#	%	#	%	#	%	#
Moderate-income	1,964	9.4	1,807	9.4	101	9.2	56	9.2
Middle-income	8,367	40.2	7,648	40	475	43.5	244	40.2
Upper-income	10,506	50.4	9,682	50.6	517	47.3	307	50.6
Total AA	20,837	100.0	19,137	100.0	1,093	100.0	607	100.0
Percentage of Total Businesses		91.8		5.2		2.9		
2013 Median Family Income			\$88,333	December 2013 Median Housing Value			\$361,150	
2013 HUD Adjusted Median Family Income			\$70,900	2013 Unemployment Rate			7.6%	

EXHIBIT 29 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Placer 2012								
Bank Lending	0	0.0	1	9.1	5	45.5	5	45.5
Aggregate Lending	0	0.0	805	8.3	3,619	37.2	5,310	54.6
Business Concentration	0	0.0	2,330	9.7	9,487	39.6	12,145	50.7
Placer 2013								
Bank Lending	0	0.0	1	7.7	4	30.8	8	61.5
Aggregate Lending	0	0.0	712	8.4	3,168	37.5	4,560	54.0
Business Concentration	0	0.0	1,964	9.4	8,367	40.2	10,506	50.4

EXHIBIT 30 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Lending to Businesses with Revenue <=\$1 Million					Originations Regardless of Revenue Size by Loan Amount		
Year	Bank Lending #	Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2012	11	36.4	92.0	50.8	36.4	18.2	45.5
2013	13	61.5	91.8	51.1	38.5	15.4	46.2

Sonoma

The Sonoma County assessment area consists of the entire County of Sonoma, which represents the Santa Rosa-Petaluma MSA. Sonoma County consists of 1,576 square miles and is located in northern California, approximately one hundred and ninety-seven miles southwest from the bank's headquarters in Redding, California. Surrounding counties include Mendocino to the north, Lake County and Napa County to the east, and Marin County to the south. To the west, Sonoma County is bordered by the Pacific Ocean. Sonoma County's 2013 population was estimated to be 495,025.

NVB has a limited presence in this assessment, with one branch in the City of Santa Rosa, the county seat. As of June 30, 2013, this one office held \$6.7 million in deposits, representing a 0.06 percent market share, and ranked 20th among the twenty FDIC-insured financial institutions operating 129 offices in the assessment area. Two large national banks respectively ranked first and third and together accounted for 35.1 percent of assessment area deposits and operated 25 offices. A state-chartered bank ranked second and accounted for 14.1 percent of assessment area deposits, with eighteen of its nineteen offices operating in Sonoma County.

Exhibits 31 through 33 on pages B-6 and B-7, present key demographic and business information used to help develop a performance context for the assessment area.

EXHIBIT 31 ASSESSMENT AREA DEMOGRAPHICS SONOMA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	1	282	0.2	86	30.5	23,506	20.1
Moderate-income	20	20	24,767	21.2	3,078	12.4	21,550	18.5
Middle-income	56	56	64,983	55.7	3,504	5.4	24,245	20.8
Upper-income	22	22	26,667	22.9	685	2.6	47,398	40.6
Tract not reported	1	1	0	0	0	0	0	0
Total AA	100	100.0	116,699	100.0	7,353	6.3	116,699	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	1,042	102	0.1	9.8	828	79.5	112	10.7
Moderate-income	44,900	19,101	16.6	42.5	21,201	47.2	4,598	10.2
Middle-income	115,262	67,137	58.5	58.2	37,739	32.7	10,386	9
Upper-income	41,464	28,447	24.8	68.6	9,478	22.9	3,539	8.5
Total AA	202,668	114,787	100.0	56.6	69,246	34.2	18,635	9.2
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	1,030	3.4	915	3.4	58	3.3	57	6
Moderate-income	5,954	19.9	5,256	19.4	474	26.9	224	23.4
Middle-income	15,968	53.4	14,609	53.8	858	48.7	501	52.4
Upper-income	6,927	23.2	6,379	23.5	373	21.2	175	18.3
Total AA	29,879	100.0	27,159	100.0	1,763	100.0	957	100.0
Percentage of Total Businesses			90.9		5.9		3.2	
2013 Median Family Income			\$69,920		December 2013 Median Housing Value			\$ 464,190
2013 HUD Adjusted Median Family Income			\$74,900		2013 Unemployment Rate			6.7%

EXHIBIT 32 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Sonoma 2012								
Bank Lending	4	16.0	7	28.0	11	44.0	3	12.0
Aggregate Lending	290	2.4	2,056	16.2	6,503	53.3	3,356	27.5
Business Concentration	1,160	3.5	6,468	19.6	17,730	53.6	7,691	23.3
Sonoma 2013								
Bank Lending	4	14.3	11	39.3	12	42.9	1	3.6
Aggregate Lending	256	2.5	1,836	18.2	5,366	53.1	2,653	26.2
Business Concentration	1,030	3.4	5,954	19.9	15,968	53.4	6,927	23.2

EXHIBIT 33 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Lending to Businesses with Revenue <=\$1 Million					Originations Regardless of Revenue Size by Loan Amount		
Year	Bank Lending #	Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2012	25	36.0	91.2	49.2	32.0	32.0	36.0
2013	28	32.1	90.9	53.0	25.0	35.7	39.3

Yolo

The Yolo County assessment area consists of the entire County of Yolo, which is part of the Sacramento-Arden-Arcade-Roseville MSA. Yolo County consists of 1,015 square miles and is located in northern California, approximately one hundred and thirty-eight miles south from the bank's headquarters in Redding, California. Surrounding counties include Colusa to the north, Sacramento and Sutter to the east, Solano to the south, and Napa and Lake to the west. Yolo County's 2013 population was estimated at 204,593.

NVB has a limited presence in this assessment, with one branch in the City of Woodland, the county seat. As of June 30, 2013, this one office held \$63.4 million in deposits, representing a 2.5 percent market share, and ranked 12th among the 13 FDIC-insured financial institutions operating 36 offices in the assessment area. Two large national banks ranked first and second and together accounted for 42.9 percent of assessment area deposits and 10 offices. A state-chartered bank ranked third and accounted for 16.7 percent of assessment area deposits, with five of its thirteen offices operating in Yolo County.

Exhibits 34 through 36 on pages B-9 and B-10, present key demographic and business information used to help develop a performance context for the assessment area.

EXHIBIT 34 ASSESSMENT AREA DEMOGRAPHICS YOLO								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	4.9	1,524	3.6	424	27.8	9,523	22.2
Moderate-income	6	14.6	7,386	17.2	1,310	17.7	7,084	16.5
Middle-income	18	43.9	20,615	48.1	1,542	7.5	7,828	18.3
Upper-income	15	36.6	13,325	31.1	577	4.3	18,415	43
Total AA	41	100.0	42,850	100.0	3,853	9.0	42,850	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	3,365	760	2	22.6	2,246	66.7	359	10.7
Moderate-income	13,574	4,976	13.3	36.7	7,512	55.3	1,086	8
Middle-income	34,258	18,602	49.5	54.3	13,823	40.3	1,833	5.4
Upper-income	22,750	13,210	35.2	58.1	8,257	36.3	1,283	5.6
Total AA	73,947	37,548	100.0	50.8	31,838	43.1	4,561	6.2
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	771	10.1	610	8.9	130	25.9	31	11.2
Moderate-income	1,347	17.6	1,193	17.4	99	19.8	55	19.8
Middle-income	3,491	45.7	3,191	46.5	152	30.3	148	53.2
Upper-income	2,037	26.6	1,873	27.3	120	24	44	15.8
Total AA	7,646	100.0	6,867	100.0	501	100.0	278	100.0
Percentage of Total Businesses		89.8		6.6		3.6		
2013 Median Family Income			\$68,568	December 2013 Median Housing Value			\$308,060	
2013 HUD Adjusted Median Family Income			\$75,000	2013 Unemployment Rate			9.4%	

EXHIBIT 35 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Yolo 2012								
Bank Lending	2	12.5	3	18.8	6	37.5	5	31.3
Aggregate Lending	389	11.3	541	15.7	1,452	42.2	1,056	30.7
Business Concentration	903	10.6	1,521	17.8	3,851	45.2	2,249	26.4
Yolo 2013								
Bank Lending	3	16.7	5	27.8	7	38.9	3	16.7
Aggregate Lending	353	11.7	484	16.1	1,246	41.4	929	30.8
Business Concentration	771	10.1	1,347	17.6	3,491	45.7	2,037	26.6

EXHIBIT 36 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Lending to Businesses with Revenue <=\$1 Million					Originations Regardless of Revenue Size by Loan Amount		
Year	Bank Lending #	Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2012	16	18.8	90.1	43.2	37.5	18.8	43.8
2013	18	50.0	89.8	27.8	38.9	33.3	27.8