



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 7, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gold Country Bank, National Association
Charter Number 20862**

**519 D Street
Marysville, CA 95901**

**Office of the Comptroller of the Currency
Western District
San Francisco Field Office
One Front Street, Suite 1000
San Francisco, CA 94111**

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.

This institution is rated **“SATISFACTORY.”**

Gold Country Bank, N.A. satisfactorily meets the credit needs of its assessment area (AA), including low-and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- The bank has a reasonable loan-to-deposit ratio.
- The bank’s lending in its AA exceeds the standard for satisfactory performance.
- The bank’s distribution of loans to businesses of different sizes exceeds the standard for satisfactory performance.
- The bank's geographic distribution of loans meets the standards for satisfactory performance.
- Community development lending and services are satisfactory, enhancing the bank’s record of meeting the needs of its community.
- There were no public complaints about the bank’s Community Reinvestment Act (CRA) performance.

DESCRIPTION OF INSTITUTION

Gold Country Bank, N.A. (GCB) is a community bank that opened in December 1986 and is headquartered in Marysville, California. Gold Country Financial Services became the holding company of GCB on February 13, 2003. GCB is the wholly-owned subsidiary of Gold Country Financial Services.

GCB provides full service banking through its headquarters office and four branches located in Gridley, Yuba City, Live Oak, and Brownsville, CA. ATM services are available at each location. While the bank’s primary loan products are business and farm loans, consumer and home mortgage products are available.

The bank’s last CRA examination was dated June 30, 2002, with a satisfactory rating. There are no legal or financial factors that impede the bank’s ability to help meet the credit needs of its community. As of December 31, 2006, GCB had total assets of \$111 million with \$84 million in loans, which represents net loans to total assets of 76%.

Please refer to the bank’s CRA public file for more information about the institution.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA meets the regulation's requirement and does not arbitrarily exclude low- or moderate-income geographies. It includes 72 contiguous census tracts in the Yuba City and Chico Paradise Metropolitan Statistical Areas (MSA), which consist of the entire counties of Butte, Sutter and Yuba.

Yuba City MSA

Based on the 2000 U.S. Census data, of the 30 census tracts in this MSA, there were no low-income census tracts, 23% were moderate-income, 54% were middle-income, and 23% were upper income. Population was approximately 139,149. Median housing value in the area was \$104,967, with 54% of total housing units owner-occupied. The 2000 Census data reported median family income of \$41,107. The HUD adjusted median family income for 2006 was \$48,200.

GCB faces competition from 12 banks operating within the Yuba City MSA. GCB ranks 6th in market share with 5.72%. The four largest banks hold a market share of 72%. The competing institutions include, in part, Bank of America, Washington Mutual Bank, Umpqua Bank, and Wells Fargo.

Chico Paradise MSA

Based on the 2000 U.S. Census data, of the 42 census tracts in this MSA, 2% were low-income, 24% were moderate-income, 55% were middle-income, and 19% were upper income. Population was approximately 203,171. Median housing value in the area was \$115,291, with 57% of total housing units owner-occupied. The 2000 Census data reported median family income of \$41,758. The HUD adjusted median family income for 2006 was \$49,700.

GCB faces competition from 12 banks operating within the Chico Paradise MSA. GCB ranks 12th in market share with less than 1%. The four largest banks hold a market share of 64%. The competing institutions include, in part, Bank of America, Tri-Counties Bank, Washington Mutual Bank, and World Savings Bank.

In conjunction with this CRA examination, we conducted a community contact interview with a representative from a community reinvestment organization to learn about credit opportunities within the community and whether financial institutions address the credit and service needs of the community. The representative identified affordable housing as a credit need.

Please refer to the bank's CRA public file for more information about the assessment areas.

DETERMINATION OF PRIMARY LOAN PRODUCTS

Table 1 reflects the bank's loan portfolio by number and dollar volume.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Home Loans	23%	16%
Consumer Loans	3%	13%
Business Loans	48%	40%
Farm Loans	26%	31%
Total	100%	100%

Table 1: Source: Bank data

Business and farm loans are the bank's primary loan products. As such, we analyzed a random selection of business and farm loans for this performance evaluation. For each of the following performance criterion, we analyzed loans originated since the last CRA examination.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit (LTD) ratio demonstrates a willingness to lend. The level of lending is reasonable given the bank's size, area credit needs, and the competitive banking market. We analyzed the bank's quarterly LTD ratio since the last CRA examination from June 2002 through December 2006. During this period, the LTD ranged from a low of 72% to a high of 94%, with a quarterly average of 85%. We compared the bank's average ratio to that of two peer banks that operated in the same assessment area. The peer group's quarterly LTD ratio over the same time period averaged 84%. The bank's average ratio was slightly higher than the peer group average and met the standard for satisfactory performance.

LENDING IN THE ASSESSMENT AREA

The bank's record of lending within the AA exceeds the standard for satisfactory performance.

Table 2

Gold Country Bank, NA Lending in the Assessment Area									
Loan Type	Number of Loans				Dollars of Loans				
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	
Business Loans	17	85%	3	15%	\$7,072,784	82%	\$1,600,000	18%	
Farm Loans	20	100%	0	0%	\$3,608,303	100%	\$0	0%	
Totals	37	93%	3	7%	\$10,681,087	87%	\$1,600,000	13%	

Source: Sample of 20 business and 20 agricultural loans originated from June 30, 2002 to March 31, 2007

A significant majority of the bank's loans originated within its defined assessment area. For this performance criterion, we randomly sampled 20 business and 20 farm loans originated during the evaluation period. Table 2 indicates the bank originated 93% of the number and 87% of the dollar volume of loans within the defined assessment areas.

LENDING TO BUSINESSES OF DIFFERENT SIZES

The bank's distribution of loans to businesses of different sizes exceeded the standard for satisfactory performance. (Businesses/Farms with annual revenues of \$1 million or less are deemed to be small businesses/farms.)

Our analysis included a random sample of 36 business and 35 farm loans originated within the bank's assessment areas. As noted above, we selected these loan products for review because they are the bank's primary product lines.

The following table displays the bank's lending practices in the Yuba City MSA based on our loan sample of business borrowers.

Table 3

Borrower Distribution of Loans to Businesses in Yuba City MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses*	64%	4%	32%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	72%	28%	0%	100%

Demographic Source: 2006 Business Geodemographic data: *32% of AA businesses did not report revenue data.

Based on our sample, the bank originated a significant number of loans by number and by dollar amount to small businesses. The resulting percentage was 75% and 72%, respectively. The number of loans and dollar amount of loans exceeded the area demographics that show 64% of reporting businesses having gross annual revenues of \$1 million or less.

The following table displays the bank’s lending practices in the Yuba City MSA based on our sample of farm borrowers.

Table 4

Borrower Distribution of Loans to Farms in Yuba City MSA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms*	85%	12%	3%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	79%	21%	0%	100%

*Demographic Source: 2006 Business Geodemographic data. * 3% of AA farms did not report revenue data.*

Based on our sample, the bank originated a significant number of loans by number and a majority number of loans by dollar amount to small farms. The resulting percentage was 95% and 79%, respectively. The number of loans exceeded the area demographics and the dollar amount to farms closely mirrored the 2006 Dun and Bradstreet data that show 85% of reporting farms having gross annual revenues of \$1 million or less.

The following table displays the bank’s lending practices in the Chico Paradise MSA based on our loan sample of business borrowers.

Table 5

Borrower Distribution of Loans to Businesses in Chico Paradise MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses*	70%	4%	26%	100%
% of Bank Loans in AA by #	69%	31%	0%	100%
% of Bank Loans in AA by \$	64%	35%	0%	100%

*Demographic Source: 2006 Business Geodemographic Data * 26% of AA businesses did not report revenue data.*

Based on our sample, the bank originated a majority number of loans by number and by dollar amount to small businesses. The resulting percentage was 69% and 64%, respectively. The number of loans by number and by dollar mirrored the area demographics that show 70% of reporting businesses having gross annual revenues of \$1 million or less.

The following table displays the bank’s lending practices in the Chico Paradise MSA based on our sample of farm borrowers.

Table 6

Borrower Distribution of Loans to Farms in Chico Paradise MSA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms*	89%	10%	1%	100%
% of Bank Loans in AA by #	93%	7%	0%	100%
% of Bank Loans in AA by \$	93%	7%	0%	100%

*Demographic Source: 2006 Business Geodemographic Data. *1% of AA farms did not report revenue data.*

Based on our sample, the bank originated a significant number of loans by number and by dollar amount to small farms. The resulting percentage was 93% for both and exceeded the 2006 Dunn and Bradstreet data that show 89% of reporting farms having gross annual revenues of \$1 million or less.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the bank's geographic distribution of loans meets the standard for satisfactory performance.

We reviewed the pattern for geographic distribution of lending in low- and moderate-income tracts within the AA. The Business Geodemographic data track where businesses and farms are located based on U.S. Census information. Table 7 and Table 8 detail the bank's business and farm lending activity within the assessment areas. We used the same sample of business and farm loans from the **Lending to Businesses/Farms of Different Sizes** section of this performance evaluation.

Table 7

Geographic Distribution of Loans to Business and Farms Yuba City MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans
Business	0%	0%	36%	30%	42%	45%	23%	25%
Farm	0%	0%	9%	0%	60%	65%	31%	35%

Demographic Data Source: 2006 Business Geodemographic Data and loan sample

Table 7 reflects that the distribution of business loans in the Yuba City MSA is reasonable in moderate income census tracts in comparison to the area demographics. Our loan sample reflected that 30% of the bank’s business loans were located in moderate income census tracts, which is near the area demographics of 36%.

As shown in the table above, the bank’s distribution of farm loans in moderate census tracts in this MSA is weak. According to the 2006 Business Geodemographic data, 9% of the farms are located in these tracts. In comparison, none of the bank’s farm customers were located in moderate income census tracts. While this reflects poor penetration, GCB’s lending opportunities to these farms have been hampered due to staff turnover, limited resources and competition. GCB faces competition with five other banks that are larger and have more branches. GCB has only 5.72% of the market share.

Table 8

Geographic Distribution of Loans to Business and Farms								
Chico Paradise MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans
Business	1%	0%	28%	19%	48%	44%	24%	37%
Farm	1%	0%	10%	0%	51%	60%	39%	40%

Demographic Data Source: 2006 Business Geodemographic Data and loan sample

Table 8 reflects that the bank has made business loans in most of the census tracts of this MSA except for one low-income census tract, which the area demographics reflected 1% of businesses in this tract. The distribution of business loans in moderate-income census tracts reflected that 19% of the bank’s business borrowers were located in these tracts, which was lower than the area demographics of 28%. While the level of lending in low-income census tracts is poor and lending in moderate census tracts is below the area demographics, GCB’s lending opportunities to these businesses in these tracts have been hampered due to staff turnover, limited resources and competition. GCB faces competition with 11 other banks that are larger and have more branches. GCB has only .38% of the market share

As shown in the table above, the bank’s distribution of farm loans in low and moderate census tracts in this MSA is weak. According to the 2006 Business Geodemographic data, 1% of the farms are located in low-income census tracts and 10% in moderate-income census tracts. In comparison, none of the bank’s farm customers were located in these tracts. While this reflects poor penetration, GCB’s lending opportunities to these farms have been hampered due to staff turnover, limited resources and competition. As noted above, GCB faces competition with 11 other banks that are larger and have more resources.

Qualified Community Development (CD) Activities

The level of community development activities is “SATISFACTORY” and enhances the bank’s record of meeting the needs of its community.

Community Development Loans

Since the last examination, the bank originated and funded one CD loan totaling \$400M in commitment. The proceeds of this loan were used to provide affordable housing for low- and moderate income individuals through the rehabilitation of a building into 15 studio apartments, of which 12 apartments are restricted to low- and moderate-income individuals.

Community Development Services

Since the last examination, two of the bank’s real estate loan officers have used their financial and banking expertise to serve on committees and provide technical assistance to one organization which helps facilitate affordable housing construction, rehabilitation and development for low income individuals.

Responses to Complaints

No consumer complaints associated with the bank’s performance under the provisions of the CRA have been made during the assessment period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices. There were no violations of the substantive provisions of the anti-discrimination laws and regulations identified. Based on this review, it was determined that the bank’s compliance with fair lending laws is satisfactory.