



PUBLIC DISCLOSURE

May 20, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Delta Bank, National Association
Charter Number 16154

611 North Main Street
Manteca, CA 95336

Office of the Comptroller of the Currency

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

Delta Bank, National Association (DBNA) satisfactorily meets the credit needs of its assessment areas, including low- and moderate-income areas, consistent with its resources and capabilities. The major factors that support this rating include:

- DBNA's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the community.
- The bank's lending in its assessment areas meets the standard for satisfactory performance.
- The bank's distribution of loans to businesses of different sizes reflects reasonable penetration among businesses of different sizes, given the demographics of its assessment areas.
- The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- There have been no written complaints regarding the bank's performance in meeting its community's credit needs.

SCOPE OF EXAMINATION

We evaluated the bank's performance based on loans originated from July 1, 2008, through December 31, 2011. We focused our evaluation on the bank's primary product lines of commercial loans, construction loans, and small business loans (grouped under the title "business loans"). As the bank's loan volume during the evaluation period is low, we selected all loans, commercial and consumer, for our sample to review the bank's lending within its assessment areas. We eliminated all consumer loans and all business loans made outside of the combined assessment area to assess the business income and geographic distributions of its loans, and its overall CRA performance. The bank does not offer home mortgage loan products.

In the Stockton MSA, branches represent 25 percent of total branches, deposits in these branches represent 55 percent of total deposits, and business loans originated during the evaluation period represent 67 percent of the number of total loan originations. In the Modesto MSA, branches represent 75 percent of total branches, deposits in these branches represent 45 percent of total deposits, and business loans originated during the evaluation period represent 33 percent of the number of total loan originations. Based on AA deposits, performance in the Stockton MSA carries slightly more weight than performance in the Modesto MSA.

DESCRIPTION OF INSTITUTION

DBNA was chartered as First National Bank of Riverbank in 1973. In 1975, the name was changed to Delta National Bank when the bank opened a branch and moved the administrative office to Manteca, CA. Delta National Bancorp, a one-bank holding company located in Manteca, was formed in 1981. At that time, DBNA became the subsidiary. Delta National Bancorp's only asset is the bank. Delta National Bank changed its name to Delta Bank, National Association, on August 23, 2007. As of December 31, 2011, DBNA had total assets of \$101 million, with \$50 million in net loans. The bank's net loans represent 50 percent of total assets.

DBNA is headquartered in Manteca, CA and is located in San Joaquin County. DBNA operates full service branches in Manteca, as well as four other locations: Stockton in San Joaquin County and Modesto, Riverbank, and Turlock in Stanislaus County. ATM services are available at all branch locations. The bank has not opened any branch offices since the last CRA examination. In early 2012, the bank closed its Stockton Branch.

During the evaluation period, DBNA's corporate structure did not change. The bank focuses its lending activity in commercial real estate and construction, although agricultural, commercial, and other products are also available. While the bank reports residential mortgage loans on its balance sheet, these loans are commercial multifamily loans and were not granted during this evaluation period.

There are no specific legal or financial circumstances impeding the bank's ability to help meet the credit needs of the community, however, the bank has been under regulatory orders since late 2008 that affects the bank's focus for generating loan business and limits the bank's concentrations of loans. The bank's CRA performance was previously evaluated on August 25, 2008, and found to be satisfactory.

Table 1

| DELTA BANK, N.A. LOAN PORTFOLIO COMPOSITION | | |
|--|------------------------|-----------------------|
| Loan Type | \$ Volume (000) | % of Portfolio |
| Commercial Real Estate | 33,879 | 66% |
| Construction | 11,291 | 22% |
| Commercial | 991 | 2% |
| Residential Real Estate | 3,737 | 7% |
| Agriculture | 1161 | 2% |
| Other | 114 | 0% |
| Total Loans | 51,173 | 100% |

Source: Call Report as of 12/31/11

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

DESCRIPTION OF ASSESSMENT AREA(S)

Stockton MSA

Table 2

| Demographic Information for Full Scope Area: Stockton MSA | | | | | |
|--|---------|------------|------------------------------------|---------------|--------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # |
| Geographies (Census Tracts/BNAs) | 121 | 6.61 | 25.62 | 39.67 | 28.10 |
| Population by Geography | 563,598 | 5.88 | 25.65 | 38.34 | 30.13 |
| Owner-Occupied Housing by Geography | 109,671 | 1.80 | 19.48 | 39.28 | 39.43 |
| Business by Geography | 43,079 | 6.95 | 19.14 | 34.91 | 39.00 |
| Farms by Geography | 2,334 | 1.37 | 10.20 | 52.06 | 36.38 |
| Family Distribution by Income Level | 135,419 | 22.77 | 16.48 | 19.80 | 40.95 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 53,151 | 9.92 | 35.95 | 36.94 | 17.19 |
| Median Family Income | | 46,894 | Median Housing Value | | 141,102 |
| HUD Adjusted Median Family Income for 2011 | | 65,400 | Unemployment Rate (2000 US Census) | | 4.48% |
| Households Below Poverty Level | | 15% | | | |

Source: 2000 US Census and 2011 HUD updated MFI

The Stockton MSA covers San Joaquin County. The assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income areas. San Joaquin County's population is approximately 703,000 as of 2012, an increase of 2.5 percent since the 2010 Census.

The HUD-adjusted median family income for 2011 is \$65,400. The poverty rate as of the 2000 Census was 15 percent. Approximately 32 percent of the census tracts in San Joaquin County are designated as low- or moderate-income and 32 percent of the population resides in low- and moderate-income geographies.

Employment

Leading industries include trade and transportation, government, health and education services, manufacturing, and agriculture. Major employers in the County include San Joaquin County, State of California, Stockton Unified School District, St. Joseph's Medical Center, M&R Company, and Safeway Distribution Center.

Economic conditions significantly declined between 2008 and 2010 and only modestly improved in 2011 and 2012. According to the Bureau of Labor Statistics (BLS), the average unemployment rate was 10.4 percent in 2008. The unemployment rate rose significantly to 15.3 percent in 2009 and rose further in 2010 to 17.3 percent. The average annual unemployment rate declined to 16.8 percent in 2011 and further declined to 15.2 percent in 2012. The unemployment rates in San Joaquin County have historically been higher than annual unemployment averages for the State of California.

Housing

Housing in San Joaquin County is generally affordable. According the U.S. Census Bureau's 5-Year American Community Survey (2007-2011), San Joaquin County's affordability ratio was 4.92, which is 1.4 times the national ratio. The Affordability Ratio measures homeownership opportunity by dividing the median value of owner occupied housing by the median household income of the area. According to the 5-year American Community Survey, the homeownership rate in San Joaquin County is 60.7 percent.

The National Association of Home Builder's (NAHB) Housing Opportunity Index (HOI) for 4th Quarter 2011 further substantiates affordable housing in the county. The HOI for the Stockton MSA was 86.4 based on the Median Family Income in 2011 and the median home sales price of \$148,000 during fourth-quarter 2011. This MSA ranked 68 out of 225 metropolitan areas monitored nationally. The HOI is defined as the share of homes sold in that area that would have been affordable to a family earning the median income.

While these measures indicate that housing is generally affordable, homeownership opportunities remain limited for low- and moderate-income individuals. The high level of foreclosures experienced in the county displaced not only homeowners who could no longer pay their mortgages but also renters of properties that had been foreclosed, putting pressure on rental housing demand. Foreclosed homeowners have limited or no opportunity to purchase homes as they are suffering from poor credit and refinance opportunities are limited for many existing homeowners by negative equity.

Deposit Market Share

As of June 30, 2011, there are 22 financial institutions with branch operations in San Joaquin County. According to the June 30, 2011 FDIC's Summary of Deposits report, DBNA ranks 18 with 0.68 percent deposit market share. DBNA has deposits of \$50 million in two branches serving San Joaquin County. Wells Fargo, Bank of America, and Bank of Stockton are the top financial institutions with deposit market shares of 16.6 percent, 15.9 percent, and 14.7 percent, respectively.

Community Contact

A current community contact is a non-profit economic development association headquartered in Stockton, CA. The organization focuses on retaining and expanding local small businesses.

The contact indicated that institutions have done a good job in helping San Joaquin County through community events, such providing technical support to small business development organizations. The contact identified small business loans as a primary credit need of small businesses in Stockton. The contact indicated that banks in the area are reluctant to lend to new businesses or become involved in micro-loans for

small businesses because they are perceived as risky based on stringent regulatory requirements.

The contact indicated that opportunities for banks include participation in micro-loan funds for start-up businesses and the expansion of existing businesses.

Modesto MSA

Table 3

| Demographic Information for Full Scope Area: Modesto MSA | | | | | |
|--|---------|------------|------------------------------------|---------------|--------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # |
| Geographies (Census Tracts/BNAs) | 89 | 3.37 | 22.47 | 50.56 | 23.60 |
| Population by Geography | 446,997 | 2.66 | 21.22 | 52.77 | 23.35 |
| Owner-Occupied Housing by Geography | 89,911 | 1.12 | 14.63 | 53.88 | 30.36 |
| Business by Geography | 33,247 | 6.49 | 14.64 | 51.23 | 27.64 |
| Farms by Geography | 2,241 | 1.83 | 12.09 | 62.56 | 23.52 |
| Family Distribution by Income Level | 110,249 | 21.74 | 17.27 | 20.71 | 40.28 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 43,009 | 3.82 | 29.07 | 51.66 | 15.45 |
| Median Family Income | | 44,706 | Median Housing Value | | 126,505 |
| HUD Adjusted Median Family Income for 2011 | | 61,100 | Unemployment Rate (2000 US Census) | | 5.14% |
| Households Below Poverty Level | | 14% | | | |

Source: 2000 US Census and 2011 HUD updated MFI

The Modesto MSA covers Stanislaus County. The assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income areas. Stanislaus County’s population is approximately 522,000 as of 2012, an increase of 1.4 percent since the 2010 Census.

The HUD-adjusted median family income for 2011 is \$61,100. The poverty rate as of the 2000 Census was 14 percent. Approximately 26 percent of the census tracts in Stanislaus County are designated as low- or moderate-income and 24 percent of the population resides in low- or moderate-income geographies.

Employment

Leading industries include trade, government, health and education services, manufacturing, and agriculture. Major employers in Stanislaus County include E&J Gallo Winery, Memorial Medical Center, Modesto City Schools, Seneca Foods, and Con Agra Foods.

Economic conditions significantly declined between 2008 and 2010 and modestly improved in 2011 and 2012. According to the BLS, the average unemployment rate was 11 percent in 2008. The unemployment rate rose significantly to 15.8 percent in 2009 and rose further in 2010 to 17.3 percent. The average annual unemployment rate

declined to 16.7 percent in 2011 and further declined to 15.2 percent in 2012. The unemployment rates in Stanislaus County have historically been higher than annual unemployment averages for the State of California.

Housing

Housing in Stanislaus County is generally affordable. According the U.S. Census Bureau's 5-Year American Community Survey (2007-2011), Stanislaus County's affordability ratio was 4.58, which is 1.3 times the national ratio. According to the 5-year American Community Survey, the homeownership rate in Stanislaus County is 60.8 percent.

The NAHB's HOI for 4th Quarter 2011 further substantiates affordable housing in the county. The HOI for the Modesto MSA was 91.5 based on the Median Family Income in 2011 and the median home sales price of \$130,000 during fourth-quarter 2011. This MSA ranked 17 out of 225 metropolitan areas monitored nationally.

While these measures indicate that housing is generally affordable, homeownership opportunities remain limited for low- and moderate-income individuals. The high level of foreclosures experienced in the county, and much of the California central valley, displaced not only homeowners who could no longer pay their mortgages but also renters of properties that had been foreclosed, putting pressure on rental housing demand. Foreclosed homeowners have limited or no opportunity to purchase homes as they are suffering from poor credit and refinance opportunities are limited for many existing homeowners by negative equity.

Deposit Market Share

As of June 30, 2011, there are 20 financial institutions with branch operations in Stanislaus County. According to the June 30, 2011 FDIC's Summary of Deposits report, DBNA ranks 16 with 0.74 percent deposit market share. DBNA has deposits of \$42 million in three branches serving Stanislaus County. Wells Fargo, Bank of America, and Bank of the West are the top three financial institutions with deposit market shares of 20.7 percent, 16.5 percent, and 11.7 percent, respectively.

Community Contact

We contacted a representative of a small business development organization headquartered in Modesto, CA that serves Stanislaus County and three other neighboring counties. The organization focuses on counseling and training business owners in order assist in the maintenance, retention, or expansion of these businesses as well as to assist in the creation of new businesses. The ultimate objective of the organization is to create and maintain jobs.

The contact indicated that it has good working relationships with several financial institutions (national, regional, and community banks) but indicated certain large banks

have not been responsive. The contact indicated that there is a great need for smaller dollar (\$50,000 to \$150,000) business loans but stated that banks aren't interested these types of loans for profitability reasons. In addition, due to the poor economy during the past few years, banks have tightened underwriting standards. This tightening of underwriting standards focuses on profitability trends so businesses that have begun to show improving profitability still do not qualify for credit due to a lack of strong historical earnings.

Opportunities for financial institution participation include offering small dollar business loans, provision of financial support to non-profit business development organizations, and provision of technical assistance and small business education to clients of business development organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

DBNA's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the community.

DBNA's average LTD ratio is 57.4 percent. The average LTD ratios are computed over the last 19 quarters (September 2008 to March 2013). We looked at one similar institution, both in terms of size and location, and one similarly sized bank with branches in the assessment area as well as the Sacramento area. The average LTD ratio of these banks is 83.0 percent. The asset sizes of the peer banks were \$133 million and \$147 million.

The bank's LTD ratio has been steadily declining during the evaluation period but a similar trend is noted with the peer institutions. This declining trend is indicative of the weak economy in the bank's AAs and significant competition from much larger competitors in these markets. The bank's LTD trend is also the result of the bank's focus on complying with regulatory orders.

Lending in Assessment Area

The bank's lending in the AA meets the standard for satisfactory performance.

Table 4

| DELTA BANK, N.A. LENDING IN AA | | | | | | | | |
|-----------------------------------|-----------------|------------|----------|------------|------------------|------------|----------------|------------|
| Loan Type | Number of Loans | | | | Dollars of Loans | | | |
| | Inside | | Outside | | Inside | | Outside | |
| | # | % | # | % | \$(000) | % | \$(000) | % |
| Business Loans | 15 | 83% | 3 | 17% | \$6,299 | 77% | \$1,883 | 23% |
| Totals | 15 | 83% | 3 | 17% | \$6,299 | 77% | \$1,883 | 23% |

Source: All loans, business and consumer, originated from July 1, 2008 to December 31, 2011

A majority of the bank's loans and other lending-related activities are made within the bank's designated AAs. We analyzed all loans originated since the last CRA examination, including business, farm, and consumer loans for the purpose of assessing the bank's lending within its designated AAs. Of the 18 loans granted, the bank originated 15 loans, or 83 percent, of the number of loans to borrowers within its combined AAs. Based on the dollar volume of loans, the inside ratio was 77 percent.

(In the next two sections, the analysis is based on the bank's primary product lines. The bank's primary product lines include commercial real estate, other commercial lines, and construction loans and are grouped under the title "business loans.")

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, the distribution of the bank's business loans reflects reasonable penetration among businesses of different sizes, given the demographics of the AAs.

Stockton MSA

The bank's distribution of loans to businesses of different sizes in the Stockton MSA reflects excellent penetration, given the demographics of the AA.

Table 5

| STOCKTON MSA | | | | |
|---|--------------|--------------|---------------------|-------|
| INCOME DISTRIBUTION OF LOANS TO BUSINESSES | | | | |
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses | 68.7% | 3.3% | 28.0% | 100% |
| % of Bank Loans in AA by # | 83.3% | 16.7% | 0.0% | 100% |
| % of Bank Loans in AA by \$ | 98.3% | 1.7% | 0% | 100% |

Demographic Data Source: 2011 Business Geodemographic Data.

The bank's percentage of loans to very small businesses exceeds the percentage of very small businesses (businesses with revenues of \$1 million or less) in the AA. This strong dispersion is somewhat tempered by the overall low volume of lending in the AA. One of several factors affecting the bank's lending is competition. The bank competes with 61 larger small-business lenders that are required to report small business lending activity as well as other smaller small-business lenders, like DBNA, that are not required to publicly report business lending. The top ten lenders hold over 90 percent of the small business lending market share.

Modesto MSA

The bank's distribution of loans to businesses of different sizes in the Modesto MSA reflects reasonable penetration, given the demographics of the AA.

Table 6

| MODESTO MSA INCOME DISTRIBUTION OF LOANS TO BUSINESSES | | | | |
|---|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 69.9% | 3.2% | 26.9% | 100% |
| % of Bank Loans in AA by # | 66.7% | 33.3% | 0.0% | 100% |
| % of Bank Loans in AA by \$ | 59.7% | 40.3% | 0.0% | 100% |

Demographic Data Source: 2011 Business Geodemographic Data.

The bank’s percentage of loans to very small businesses is below but near to the percentage of very small businesses in the AA. The overall low volume of lending in the AA tempers this good dispersion. However, competition, among other factors, affects the bank’s lending. The bank competes with 48 larger small-business lenders that are required to report small business lending activity as well as smaller small-business lenders, like DBNA, that are not required to publicly report business lending. The top ten lenders hold 90 percent of the small business lending market share.

Geographic Distribution of Loans

Overall, the geographic distribution of the bank’s business loans reflects reasonable dispersion throughout the AAs. The bank was not able to penetrate all census tracts within its AAs. However, there were no conspicuous gaps in the bank’s distribution of loans.

Stockton MSA

The geographic distribution of the bank’s business loans reflects reasonable dispersion in the Stockton MSA, given the demographics of the AA.

Table 7

| STOCKTON MSA GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES | | | | | | | | |
|--|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Business Loans | 7.0% | 0.0% | 19.1% | 33.3% | 34.9% | 16.7% | 39.0% | 50.0% |

Demographic Data Source: 2011 Business Geodemographic Data

The bank’s percentage of business loans in low-income census tracts is below the percentage of businesses in low-income census tracts. The bank did not make any loans in low-income census tracts. The percentage of business loans in moderate-income census tracts exceeds the percentage of businesses in moderate-income census tracts.

The 2011 Small Business aggregate reported originating 5.2 percent and 18.4 percent of the number of small business loans in low- and moderate-income census tracts, respectively. DBNA faces competition with at least 61 other business lenders that are larger and have more dispersed branch networks. The top three business lenders in the Stockton MSA, with a combined small business loan market share of nearly 62 percent, are American Express Bank, Wells Fargo, and Citibank. DBNA has only 0.68 percent deposit market share.

Modesto MSA

The geographic distribution of the bank’s business loans reflects reasonable dispersion in the Modesto MSA, given the bank’s performance context and the demographics of the AA.

Table 8

| MODESTO MSA GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES | | | | | | | | |
|---|-----------------------|-------------------------------|-----------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesse s | % of Number of Loans | % of AA Businesse s | % of Number of Loans |
| Business Loans | 6.5% | 0.0% | 14.6% | 0.0% | 51.2% | 66.7% | 27.7% | 33.3% |

Demographic Data Source: 2011 Business Geodemographic Data

The bank only granted three business loans in the Modesto MSA and none of these loans is in low- or moderate-income census tracts.

The 2011 Small Business aggregate reported originating 5.0 percent and 13.1 percent of the number of small business loans in low- and moderate-income census tracts, respectively. DBNA faces competition with at least 48 other business lenders that are larger and have more dispersed branch networks. The top three business lenders in the Modesto MSA, with a combined small business loan market share of nearly 60 percent, are American Express Bank, Wells Fargo, and Citibank. DBNA has only 0.74 percent deposit market share.

Responses to Complaints

No written complaints concerning DNBA’s CRA performance have been received since the bank’s previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.