

PUBLIC DISCLOSURE

June 18, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Valley Bank
RSSD #783910

2775 Maysville Pike
Zanesville, OH 43701

Federal Reserve Bank of Cleveland
Cleveland, Ohio

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.

TABLE OF CONTENTS

Institution’s Community Reinvestment Act Rating.....1

Scope of Examination 2

Description of the Institution 4

Description of Assessment Area.....6

Conclusions with Respect to Performance Tests.....13

Appendix A: Assessment Area Map.....23

Appendix B: Lending Tables24

Appendix C: Glossary.....26

INSTITUTION'S CRA RATING: Satisfactory

The following factors support the institution's rating.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs;
- There are a majority of loans made in the assessment area;
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment area;
- The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate- income);
- The distribution of loans to businesses reflects a reasonable penetration among businesses of different sizes; and,
- There were no CRA-related complaints filed against the bank since the previous CRA examination.

The previous CRA examination conducted May 5, 2008 resulted in a rating of "Satisfactory."

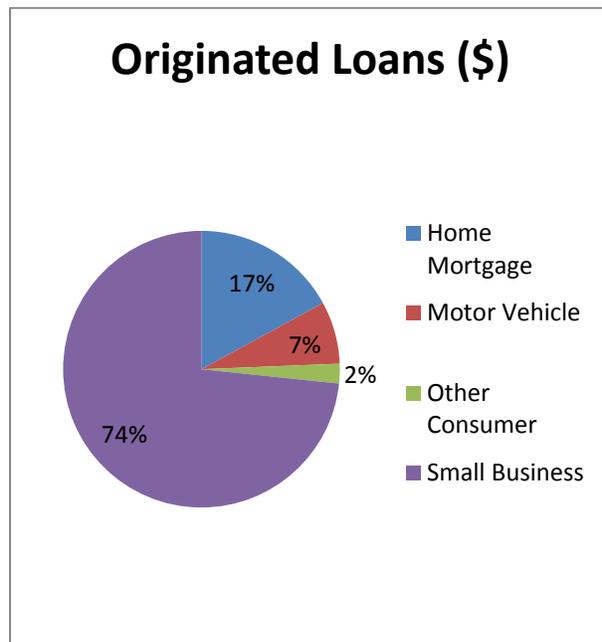
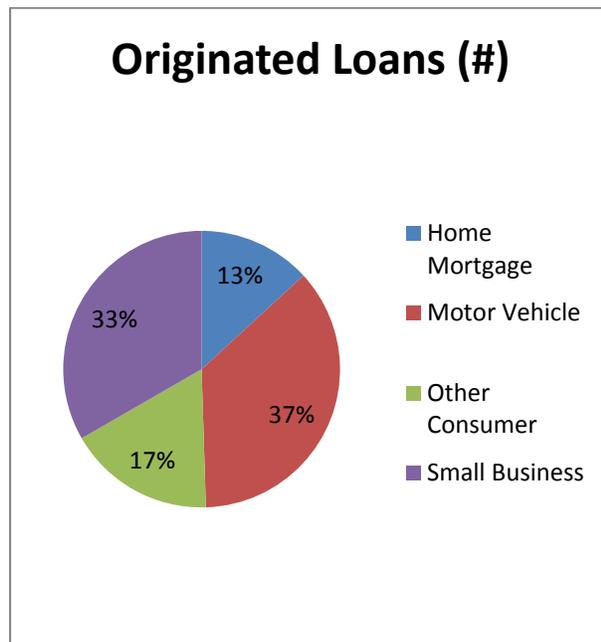
SCOPE OF EXAMINATION

North Valley Bank was evaluated using the interagency small bank procedures. The bank’s CRA performance included lending data from January 1, 2011 through December 31, 2011.

The loan products evaluated included home mortgage loans (including home purchase, refinance, and home improvement), small business loans, motor vehicle loans, and other consumer loans.

The following table and charts illustrate the volume and distribution of loans originated during the evaluation period:

Number of Loans	Loan Type	Dollar Amount of Loans (000's)
79	Home Mortgage Loans	7,314
218	Motor Vehicle Loans	3,126
103	Other Consumer Loans	984
200	Small Business Loans	31,420
600	Total	42,844



Given this distribution, small business loans received the greatest weight, as they comprised a significant percentage of loans based on both number and dollar amount. Motor vehicle loans and home mortgage loans received the next and equal weight due to the number of loans and dollar amount of loans. Because of the low dollar amount of these loans, other consumer loans received the least weight.

The bank’s assessment area is mostly comprised of middle-income census tracts. There are no low-income tracts and eight moderate-income tracts. Therefore, the borrower distribution analysis received greater weight than the geographic distribution analysis.

The size and financial condition of the institution, lending opportunities within the assessment area, and competition with other institutions were also considered in the bank's performance context.

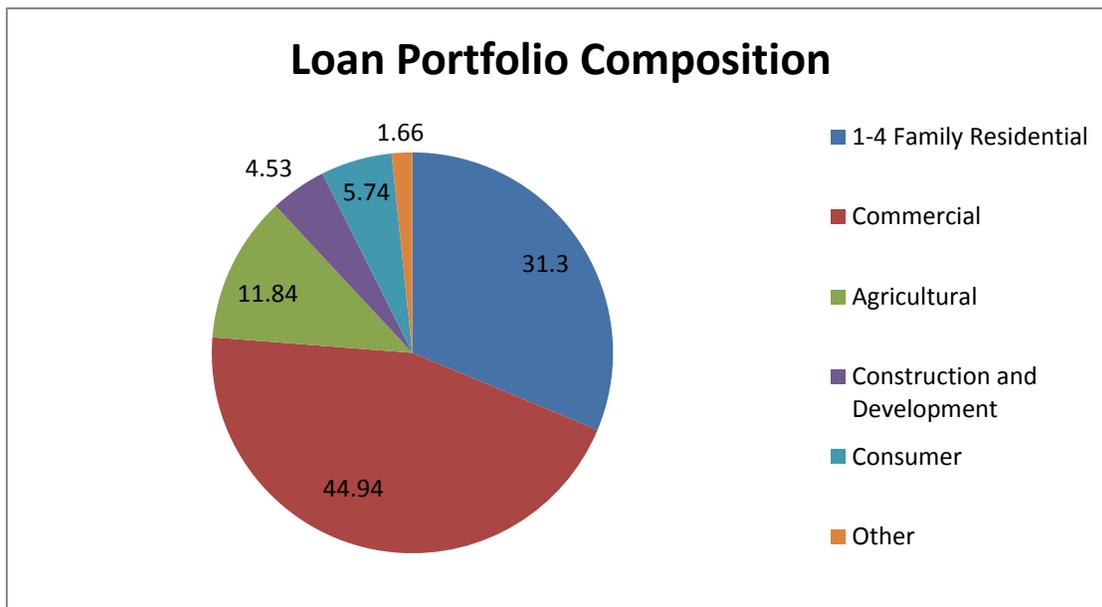
DESCRIPTION OF INSTITUTION

North Valley Bank is a state-member bank and subsidiary of North Valley Bancshares, Inc. North Valley is headquartered in Zanesville, Ohio. As of March 31, 2012, the bank reported \$156.9 million in assets, which is approximately a 23.0% increase since the previous examination.

The main office is located at 2775 Maysville Pike in Zanesville, Ohio, which is in Muskingum County. North Valley operates two additional branch offices in the villages of Malta, located in Morgan County, and Corning, located in Perry County. The bank has not opened or closed any branch offices since the previous examination.

North Valley is a full-service, retail community bank offering business and consumer deposit accounts and commercial, residential mortgage, and consumer loans. According to the March 31, 2012 Uniform Bank Performance Report (UBPR), loans account for approximately 64.48% of the bank’s total assets, which represents a decline since the previous examination. The following table illustrates the bank’s loan portfolio composition as of March 31, 2012:

Loan Type	Percent of Total Loans
Secured by 1-4 Family Residential Real Estate (including home equity lines)	31.30%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	44.94%
Loans for Agricultural Production & Secured by Farm Land	11.84%
Construction and Development	4.53%
Consumer Loans	5.74%
All Other Loans	1.66%



As of March 31, 2012, North Valley's investment portfolio was approximately \$45.7 million, which represents 29.0% of total assets. The bank's investments primarily consist of U.S. Treasuries and Agency securities and municipal securities, which account for 35.8% and 32.9% of the investment portfolio, respectively. The remaining investments are interest bearing bank-balances, federal funds sold, and other securities.

There are no legal or financial constraints preventing North Valley from meeting the credit needs of its' assessment area consistent with its asset size, business strategy, resources and local economy.

DESCRIPTION OF ASSESSMENT AREA

North Valley has one delineated assessment area that includes Morgan, Muskingum, and Perry Counties. All of the counties are located in nonmetropolitan areas. In total, the assessment area is made up of 29 census tracts, of which eight are moderate-income, 20 are middle-income, and one is upper-income. There are no low-income census tracts within the assessment area. One branch location is located in a moderate-income tract, while the remaining two branches are in middle-income census tracts. The table below illustrates the census tracts by income level and county.

Tracts by Income	Morgan	Muskingum	Perry	Percentage of Total
Low	0	0	0	0%
Moderate	2	5	1	27.6%
Middle	2	13	5	69.0%
Upper	0	1	0	3.4%
Total	4	19	6	100%

There are also two middle-income tracts within the assessment area that are designated as both distressed and underserved. The tracts are located in Morgan County and were labeled distressed due to poverty and unemployment.

As of June 30, 2011, the Federal Deposit Insurance Corporation (FDIC) reported 14 insured financial institutions operating 52 branches within the assessment area. The FDIC's market share report indicates that North Valley ranked fifth among these institutions, holding 7.4% of the market share of deposits.¹ The following table illustrates the deposit market share for the institutions in the three counties.

#	Financial Institution	Deposit Market Share
1	The Park National Bank	22.35%
2	The Huntington National Bank	15.99%
3	The Community Bank	14.82%
4	PNC Bank, NA	12.08%
5	North Valley Bank	7.42%
6	The Peoples Bank of New Lexington	5.93%
7	JP Morgan Chase Bank, NA	5.88%
8	The First National Bank of McConnelsville	4.55%
9	The Citizens National Bank of McConnelsville	4.12%
10	Peoples Bank, NA	2.67%
11	Commodore Bank	1.99%
12	U.S. Bank, NA	1.79%
13	The Waterford Commercial and Savings Bank	0.33%
14	Woodforest National Bank	0.08%

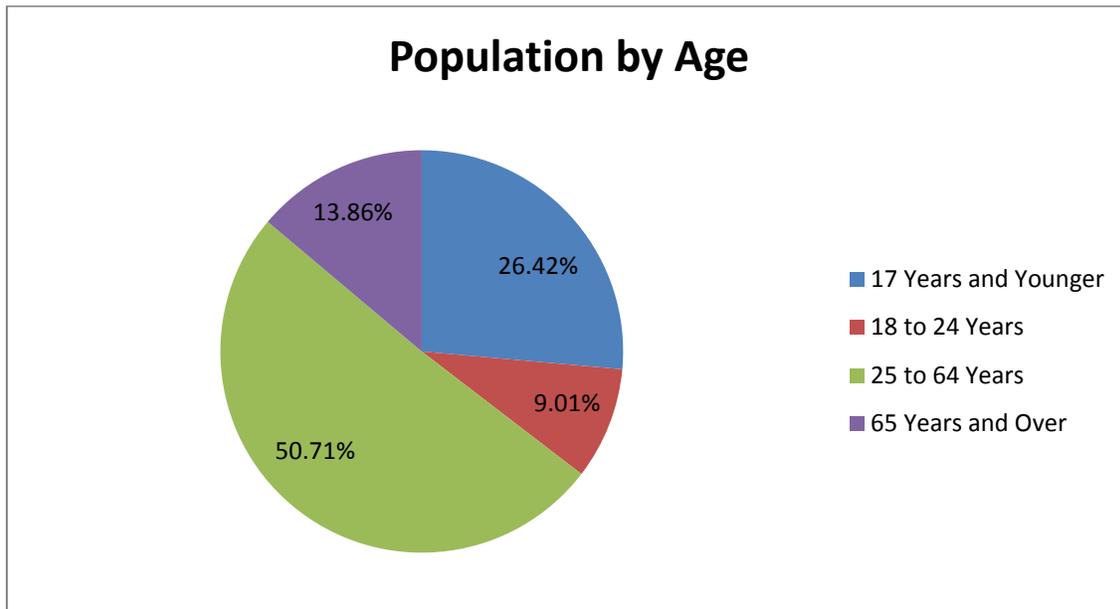
¹ <http://www2.fdic.gov/sod/sodMarketBank.asp>

Population

The 2000 data released by the U.S. Census Bureau indicates the population in the bank’s assessment area is 133,560. The following table depicts the 2000 and estimated 2010 populations of all three counties within the bank’s assessment area as well as the population change:²

County	2000 Population	2010 Population	Population Percent Change
Morgan	14,897	15,054	1.1%
Muskingum	84,585	86,074	1.8%
Perry	34,078	36,058	5.8%

These estimations show that all three counties within the assessment area have experienced modest population growth over the past ten years, with Perry County experiencing the most growth. The population by age is distributed as follows:



Approximately 26.0% of the population is under 18, the legal age to enter into a contract, while approximately 59.0% of the population is between the ages of 18 and 64, the prime ages when individuals are generally in need of loans.

Income Characteristics

According to the 2000 U.S. Census, there were 50,835 households within the assessment area, of which 36,380 (71.6%) were families. Of these families, 21.4% were low-income, 20.3% were moderate-income, 24.4% were middle-income, and 33.9% were upper-income.

² <http://quickfacts.census.gov/qfd/index.html>

The median family income for the assessment area of \$40,612 was lower than the median family income for the nonmetropolitan Ohio (\$43,801) and the State of Ohio (\$50,037). According to the Department of Housing and Urban Development for 2011, the median family income for Ohio nonmetropolitan areas increased to \$52,900. The following table depicts the 2000 and 2011 median family incomes for each of the counties within the assessment area.

County	2000 Median Family Income	2011 Median Family Income
Morgan	\$34,973	\$40,100
Muskingum	\$41,938	\$51,200
Perry	\$40,294	\$53,200

Approximately 10.5% of families in the assessment area were below the poverty level. This percentage is higher than the poverty rates of nonmetropolitan Ohio at 8.2% and the State of Ohio at 7.8%. The poverty levels among the three counties within the assessment area differed significantly. Morgan County’s poverty rate (15.8%) was higher than the rates of Muskingum and Perry Counties at 9.9% and 9.4%, respectively. Poverty level estimates for 2010 indicate that poverty rates for Morgan, Muskingum, and Perry Counties have increased to 19.6%, 17.8% and 19.1%, respectively, while statewide family poverty levels have increased to 15.8%.³

Labor, Employment, and Economics

The following table illustrates land use in each county in the assessment area.⁴

County	Urban	Cropland	Pasture	Forest	Open Water	Bare/ Mines
Morgan	.23	4.04	9.10	86.14	.50	.00
Muskingum	3.27	16.49	15.75	63.73	.67	.10
Perry	.88	21.57	6.43	70.66	.27	.19

As indicated above, there are very few urban areas and a minimal amount of cropland and pastures. However, a majority of the land is forested.

In Morgan County, the primary employment sectors are local government and manufacturing. The major employers include: ABC Manufacturing/Malta Windows); Care Serv Inc./Mark Rest Center (health services); Hann Manufacturing; Highland Oaks (health services); Kroger Inc. (trade); MAHLE International (manufacturing); Miba Bearing US LLC (manufacturing); Miba Sinter (manufacturing); Morgan County Government; Morgan Local Schools (government); and Warren’s Morgan County IGA (trade).

3 <http://www.ers.usda.gov/data/povertyrates/>

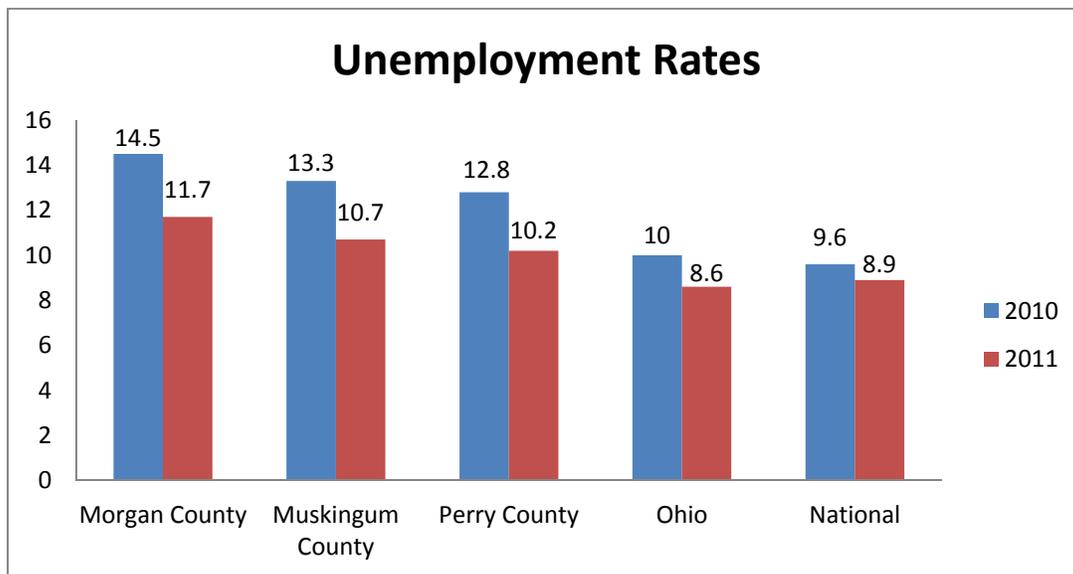
4 www.development.ohio.gov/research

In Muskingum County, the primary employment sectors are trade, transportation and utilities and education and health services. The major employers in the area include: 5 B's Inc. (manufacturing); AK Steel Holding Company (manufacturing); Auto Zone Inc. (trade); Dollar General Corporation (trade); Genesis Healthcare System (health services); Longaberger Company (manufacturing); Muskingum University (education services); Muskingum County Government; Wendy's International/New Bakery Company (manufacturing); and the Zanesville City Schools (government).

In Perry County, the primary employment sectors are trade, transportation and utilities; education and health services; and manufacturing. The major employers include: Buckingham Coal (mining); CerCo LLC (manufacturing); Cooper-Standard Automotive (manufacturing); Crooksville Exempted Village Schools (government); Eclipse Aluminum Trailer LLC (manufacturing); Ludowici Roof Tile (manufacturing); New Lexington City Schools (government); Northern Local Schools (government); PCC Airfoils LLC (manufacturing); Perry County Government; Shelly Materials Inc. (mining); and southern Local Schools (government).

According to 2010 Dun & Bradstreet data, the assessment area had 5410 small businesses and small farms. The majority of businesses (91.1%) have annual revenues of less than \$1 million. Most businesses (57.0%) have been in business for more than ten years, with 27.8% of those businesses open more than 25 years.

The following chart shows the 2010 and 2011 annual unemployment rates (not seasonally adjusted) for the counties within the assessment area compared to the state of Ohio and national averages.⁵



The chart shows that the unemployment rates for all three counties within the assessment area have remained above state and national averages. Community contacts also indicated that the counties within the assessment area have experienced significant job losses over the past few years, particularly in the manufacturing sector.

Housing

Based on 2000 U.S. Census data, North Valley's assessment area contains 56,589 housing units, of which 67.9% are owner-occupied, 22.1% are rental units, and 10.0% are vacant. Approximately 73.0% of the housing units are single family units, while 6.4% are two-to-four family units, 6.1% are multi-family units, and 14.0% are mobiles homes. Most of the housing units (71.7%) are located in middle-income census tracts.

The median age of the housing stock within the assessment area is 38 years. The age of the housing stock varies significantly by tract income, with a median age of 55 years in moderate-income census tracts and median ages of 34 and 32 years for middle- and upper-income tracts, respectively.

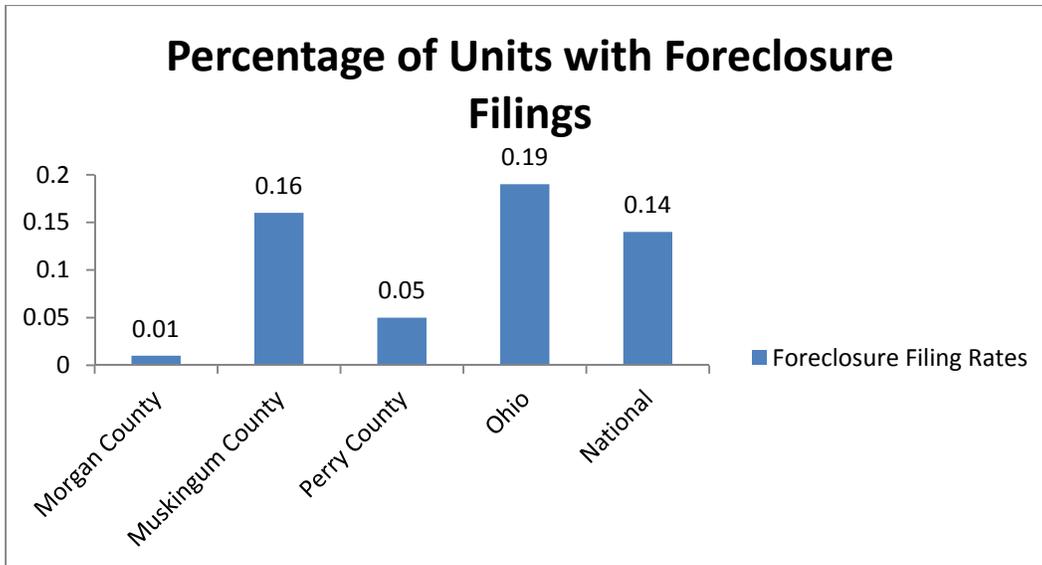
The median housing value in the assessment area is \$77,281. Of the 38,427 owner-occupied units within the assessment area, 30.6% were valued at \$100,000 or more, with 12.5% valued at \$150,000 or more.

Based on the estimated 2011 median family income for nonmetropolitan Ohio (\$52,900), approximately 69.9% of homes valued up to \$101,496 would be affordable for low-income individuals and 89.0% of homes valued up to \$162,393 would be affordable for moderate-income individuals. These percentages were calculated assuming an average mortgage payment equal to 28.0% of gross income for a 3.625% fixed-rate, 30-year loan.

The median gross rent for the assessment area is \$404. This figure is lower than the median gross rents for nonmetropolitan Ohio areas (\$441) and the State of Ohio (\$515). Approximately 28.8% of renters in the assessment area have rental costs that exceed 30.0% of their income.

According to Realtytrac, an online database that tracks and provides foreclosure statistics, in April 2012, Ohio had the ninth highest foreclosure filing rate in the country, with one in every 525 housing units receiving a foreclosure filing.⁶ The following chart illustrates the foreclosure filing rates for all three counties in the assessment area as compared to the state and national rates for April 2012.

⁶ www.realtytrac.com



The chart indicates that April 2012 foreclosure rates for Morgan and Perry Counties were below the state and national rates, while the foreclosure rate for Muskingum County was slightly higher than the national rate, but lower than the state rate.

Community Contacts

Two community contact interviews were conducted in conjunction with this examination. The community contacts provided context to the demographic and economic characteristics of the assessment area. One contact was conducted with an economic development organization in Muskingum County and the other contact was conducted with an affordable housing organization in Morgan County.

Combined Demographics Report

Assessment Area(s): North Valley AA

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	7,794	21.4	
Moderate-income	8	27.6	8,130	22.3	1,481	18.2	7,378	20.3	
Middle-income	20	69.0	26,677	73.3	2,235	8.4	8,876	24.4	
Upper-income	1	3.4	1,573	4.3	92	5.8	12,332	33.9	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	29	100.0	36,380	100.0	3,808	10.5	36,380	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	13,426	7,848	20.4	58.5	4,006	29.8	1,572	11.7	
Middle-income	40,570	28,763	74.9	70.9	7,818	19.3	3,989	9.8	
Upper-income	2,593	1,816	4.7	70.0	657	25.3	120	4.6	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	56,589	38,427	100.0	67.9	12,481	22.1	5,681	10.0	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	1,105	20.5	982	20.0	56	24.0	67	24.9	
Middle-income	4,021	74.4	3,664	74.8	164	70.4	193	71.7	
Upper-income	276	5.1	254	5.2	13	5.6	9	3.3	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	5,402	100.0	4,900	100.0	233	100.0	269	100.0	
Percentage of Total Businesses:				90.7		4.3		5.0	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	42	9.1	41	8.9	0	0.0	1	33.3	
Middle-income	415	89.6	412	89.8	1	100.0	2	66.7	
Upper-income	6	1.3	6	1.3	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	463	100.0	459	100.0	1	100.0	3	100.0	
Percentage of Total Farms:				99.1		.2		.6	

Based on 2010 D&B information according to 2000 Census Boundaries.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is calculated by dividing the bank's net loans by total deposits. The following table shows North Valley's quarterly LTD ratios for the sixteen quarters since the previous evaluation, along with the average LTD ratio for the same period. The table includes the aggregate peer group ratio and ratios for two local peer institutions.

Loan-to-Deposit Ratios						
As of Date	Net Loans	Total Deposits	Bank Ratio	Aggregate Ratio ⁷	Peoples NB ⁸	Citizens NB ⁹
March 31, 2012	101,190	129,679	78.03	68.40	82.83	59.64
December 31, 2011	99,676	125,740	79.27	71.28	83.68	65.25
September 30, 2011	97,919	127,732	76.66	72.76	79.01	64.03
June 30, 2011	96,396	120,031	80.31	73.08	81.54	67.77
March 31, 2011	93,403	124,361	75.11	72.10	75.95	64.77
December 31, 2010	91,214	125,802	72.51	74.82	83.34	72.59
September 30, 2010	92,684	123,795	74.87	76.60	85.49	69.92
June 30, 2010	95,334	115,592	82.47	77.17	88.34	71.44
March 31, 2010	95,398	113,242	84.24	76.44	87.90	68.90
December 31, 2009	98,786	116,474	84.81	77.62	87.63	74.50
September 30, 2009	100,429	109,760	91.50	79.81	91.82	74.94
June 30, 2009	98,513	110,763	88.94	80.14	86.18	72.01
March 31, 2009	96,905	119,015	81.42	79.35	88.87	73.90
December 31, 2008	99,700	120,847	82.50	82.01	91.81	80.92
September 30, 2008	101,622	105,305	96.50	82.90	87.22	79.39
June 30, 2008	105,768	109,286	96.78	81.28	84.79	77.54
Quarterly Loan-to-Deposit Ratio Average since the previous examination			82.87	76.61	85.40	71.09

As shown above, North Valley's average LTD ratio since the previous evaluation is 82.9%. This figure is slightly above the aggregate peer ratio at 76.6% and between its custom peers at 85.4% and 71.1%, respectively. Therefore, North Valley's loan-to-deposit ratio is reasonable.

7 North Valley's aggregate peer group consists of all insured commercial banks having assets between \$100 and \$300 million, with three or more full service banking offices in a nonmetropolitan area. The two local peers were chosen based on asset size, branching structure, and location.

8 The Peoples National Bank, New Lexington, OH.

9 The Citizens National Bank of McConnelsville, McConnelsville, OH.

Lending in the Assessment Area

The table below depicts North Valley's volume of loans extended inside and outside of the bank's assessment area during the evaluation period.

Lending Inside and Outside the Assessment Area

Loan Type - Description	Inside				Outside				Total			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
MV - Motor Vehicle	186	85.3	2,706	86.6	32	14.7	420	13.4	218	100.0	3,126	100.0
XX - Other Consumer Loans	87	84.5	891	90.6	16	15.5	93	9.4	103	100.0	984	100.0
YY - All Mortgages	68	86.1	6,040	82.6	11	13.9	1,274	17.4	79	100.0	7,314	100.0
Total Consumer related	341	85.3	9,637	84.4	59	14.8	1,787	15.6	400	100.0	11,424	100.0
SB - Small Business	171	85.5	26,044	82.9	29	14.5	5,376	17.1	200	100.0	31,420	100.0
Total Small Bus. related	171	85.5	26,044	82.9	29	14.5	5,376	17.1	200	100.0	31,420	100.0
TOTAL LOANS	512	85.3	35,681	83.3	88	14.7	7,163	16.7	600	100.0	42,844	100.0

The loan data contains 0 validity error records and are included in the report.

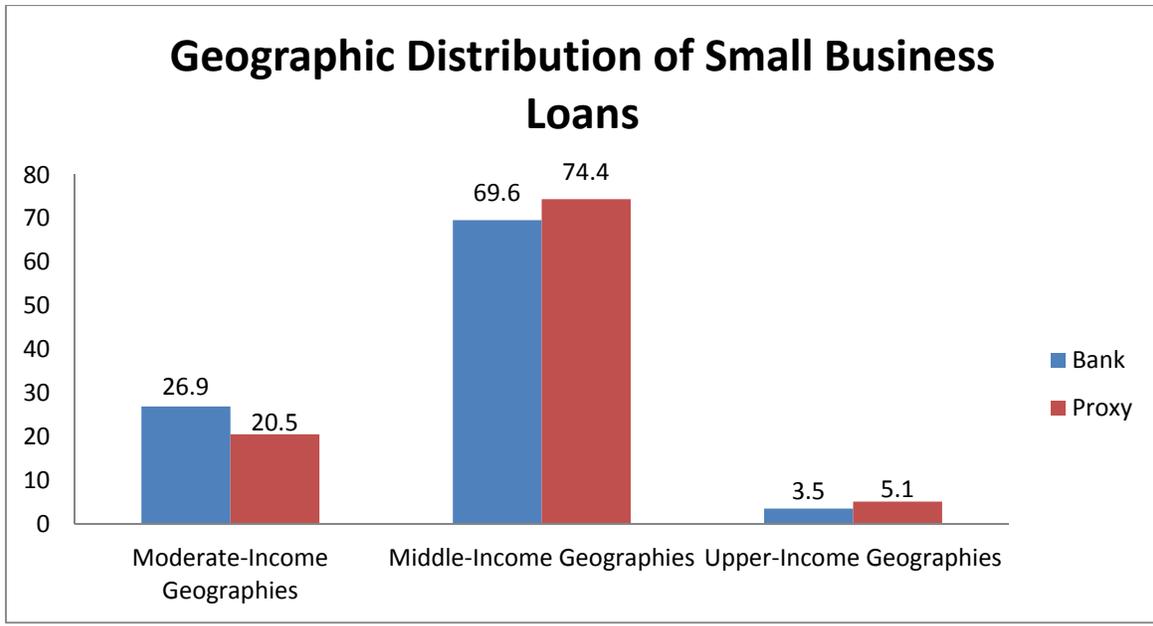
The table illustrates that a majority of the bank's loans, by number and dollar amount, were originated in the assessment area.

Geographic Distribution of Lending

Overall, the geographic distribution of loans reflects an excellent dispersion throughout the assessment area.

Small Business Loans

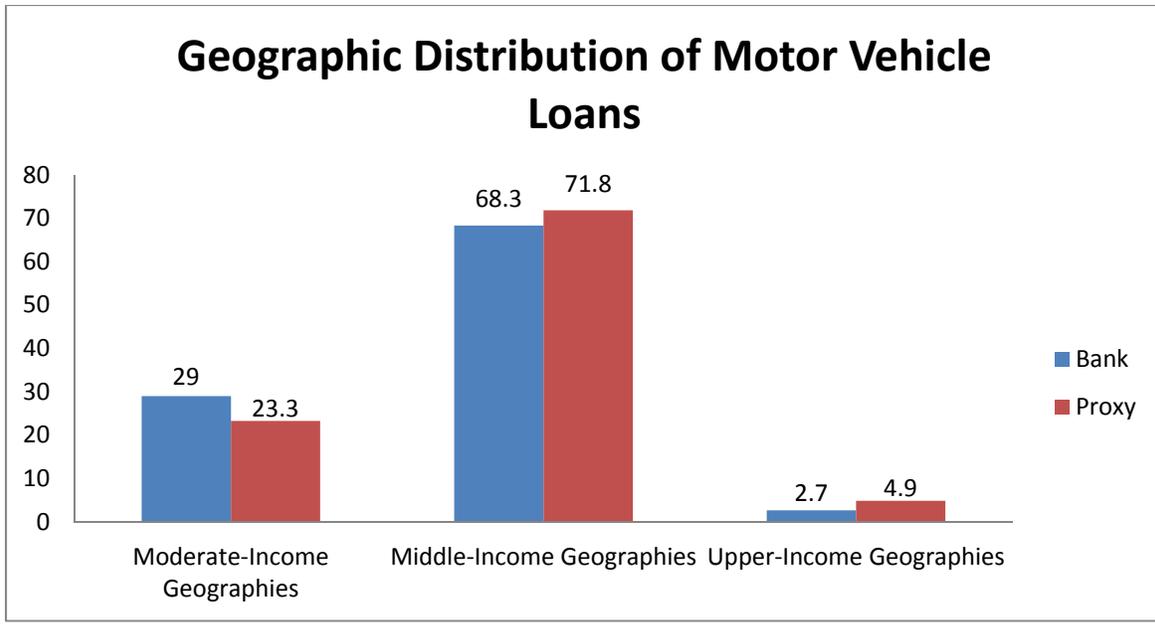
North Valley originated 171 small business loans within the assessment area during the evaluation period. Of these loans, 46 were made in moderate-income census tracts, 119 were made in middle-income census tracts, and six were made in upper-income census tracts. The following chart shows the percentage of loans originated in moderate, middle, and upper-income census tracts as compared to the demographics of the assessment area.



The chart shows that the bank's small business lending in moderate-income census tracts exceeded the percentage of businesses in moderate-income census tracts. Small business lending in middle-income census tracts was slightly below proxy and small business lending in upper-income tracts was consistent with the proxy. Due to the penetration of moderate-income tracts, the geographic distribution of small business loans is excellent.

Motor Vehicle Loans

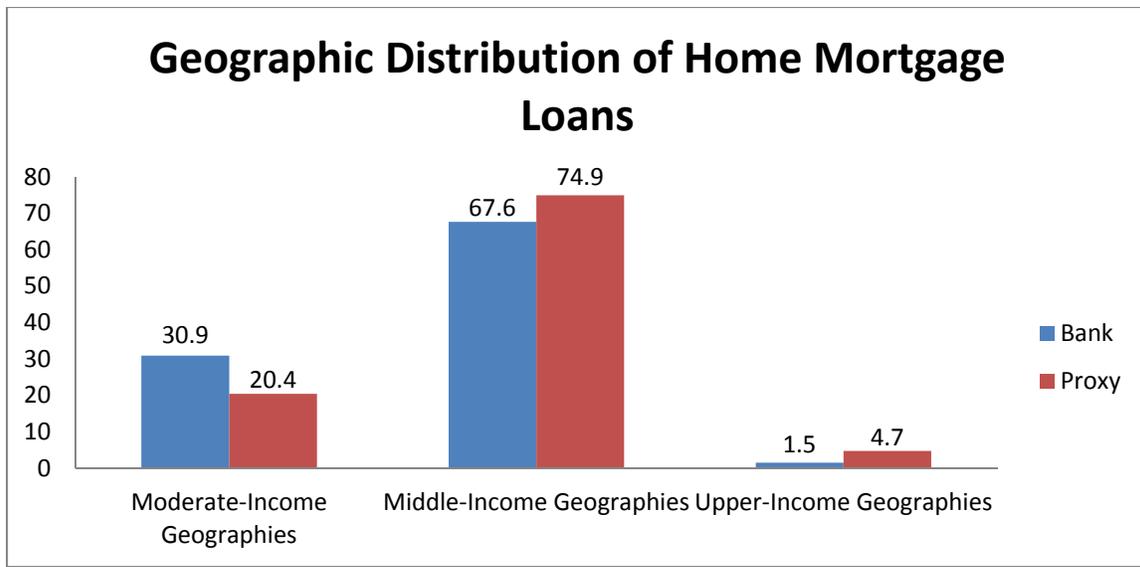
North Valley originated 186 motor vehicle loans within the assessment area during the evaluation period. Of these loans, 54 were made in moderate-income census tracts, 127 were made in middle-income census tracts, and five were made in upper-income census tracts. The following chart compares the percentage of motor vehicle loans originated in moderate, middle, and upper-income geographies to the demographics of the assessment area.



The chart above shows that the bank's motor vehicle lending in moderate-income tracts exceeded the percentage of households in moderate-income census tracts. Conversely, the bank originated a slightly lower percentage of loans in middle- and upper-income census tracts than the proxy. Due to the bank's loan penetration of moderate-income geographies, the geographic distribution of motor vehicle loans is excellent.

Home Mortgage Loans

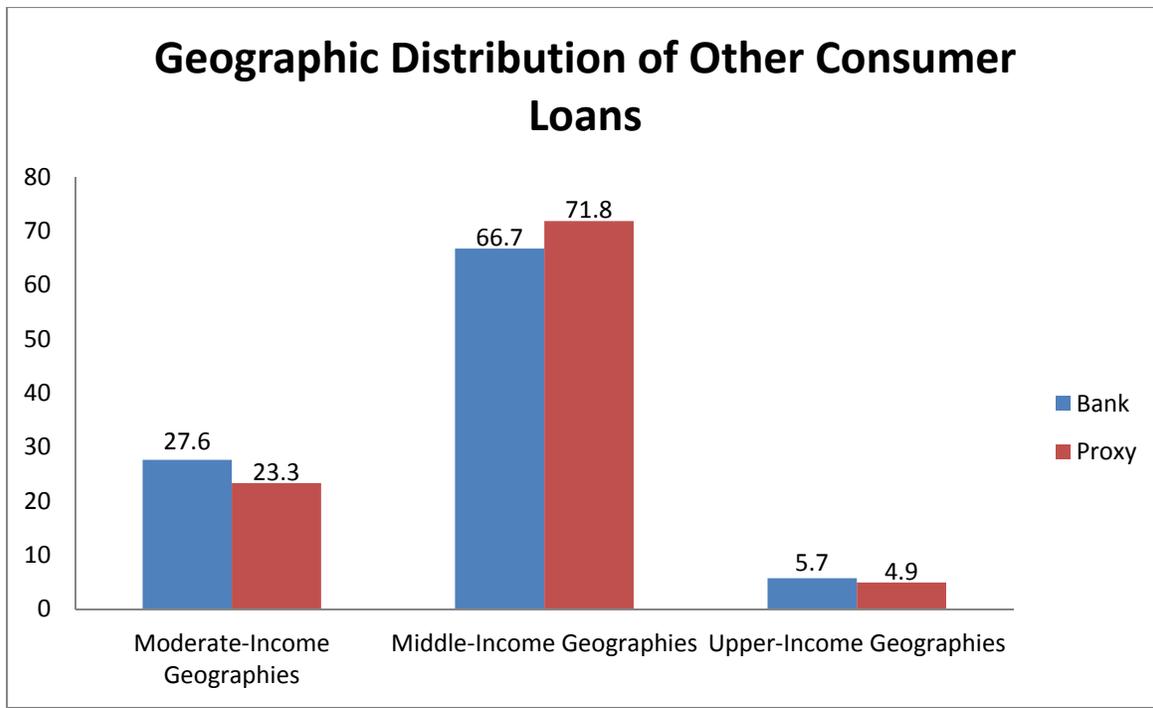
North Valley originated 68 home mortgage loans within the assessment area during the evaluation period. Of these loans, 21 were made in moderate-income census tracts, 46 were made in middle-income census tracts, and one was made in an upper-income census tract. The following chart compares the percentage of home mortgage loans originated in moderate, middle, and upper-income geographies to the demographics of the assessment area.



The chart shows that the bank’s home mortgage lending in moderate-income census tracts exceeded the percentage of owner-occupied housing units in moderate-income census tracts. The bank’s home mortgage lending in middle- and upper-income tracts was below the percentage of owner-occupied housing units in these tracts. Similar to the motor vehicle loan geographic distribution, the bank has an excellent home mortgage loan penetration in the moderate-income geographies.

Other Consumer Loans

North Valley originated 87 other consumer loans within the assessment area during the evaluation period. Of these loans, 24 were in moderate-income census tracts, 58 were in middle-income census tracts, and five were in upper-income census tracts. The following chart compares the percentage of other consumer loans originated in moderate, middle, and upper-income geographies to the demographics of the assessment area.



The chart shows that the bank's other consumer lending in moderate-income census tracts exceeded the percentage of households in moderate-income census tracts. The bank also exceeded the proxy for other consumer lending in upper-income census tracts, while other consumer lending in middle-income tracts was slightly below proxy. Due to the penetration of moderate-income tracts, the geographic distribution of other consumer loans is excellent.

There were no gaps noted in the distribution of loans throughout the bank's assessment area. Over the course of the evaluation period, every census tract within the assessment area had at least two loans. Furthermore, there was significant lending activity in the two distressed and underserved middle-income census tracts. Although these two tracts make up approximately 6.9% of the bank's assessment area, 12.3% of loans were originated in these areas.

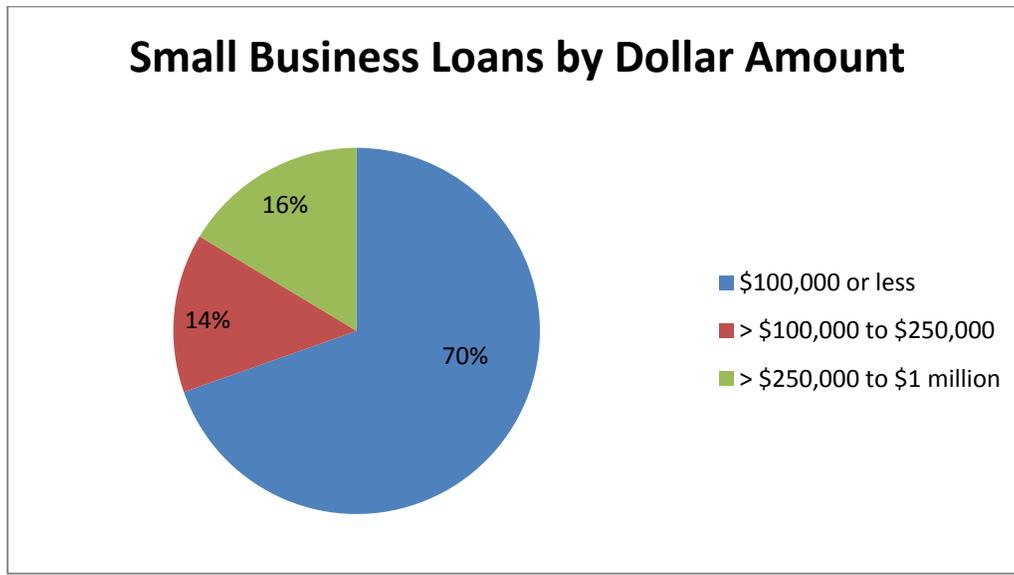
Given the penetration of moderate-income census tracts and distressed and underserved middle-income census tracts across all loan products, the bank's geographic distribution of loans is excellent. Refer to the tables in Appendix B for further information.

Borrower Distribution of Lending

Overall, the distribution of lending reflects a reasonable penetration among businesses of different sizes and borrowers of different income levels.

Small Business Loans

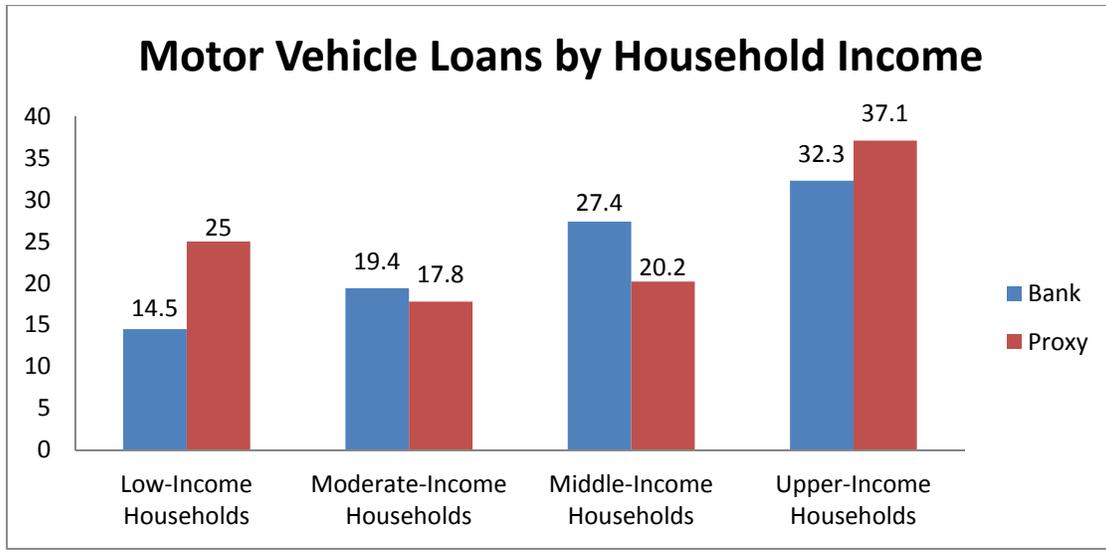
Of the 171 small business loans originated in the assessment area during the evaluation period, 135 loans (78.9%) were made to business with revenue less than \$1 million. In the assessment area, businesses with revenue less than \$1 million account for 90.7% of businesses. The size of the loans was also considered, as smaller loans are typically commensurate with the borrowing need of smaller businesses. The following chart shows the loans by original loan amount regardless of business size.



The chart indicates that approximately 70.0% of the small business loans were for loan amounts less than \$100,000 and approximately 84.0% of the loans were for \$250,000 or less, indicating the bank's willingness to make smaller dollar amount loans. Given these factors, the borrower distribution of small business loans is reasonable.

Motor Vehicle Loans

Of the 186 motor vehicle loans originated in the assessment area during the evaluation period, 27 were to low-income borrowers, 36 were to moderate-income borrowers, 51 were to middle-income borrowers, and 60 were to upper-income borrowers. Twelve of the borrowers had unknown incomes. The following chart illustrates the percentage of motor vehicle loans originated to borrowers of all income levels in comparison to the demographics of the bank's assessment area.

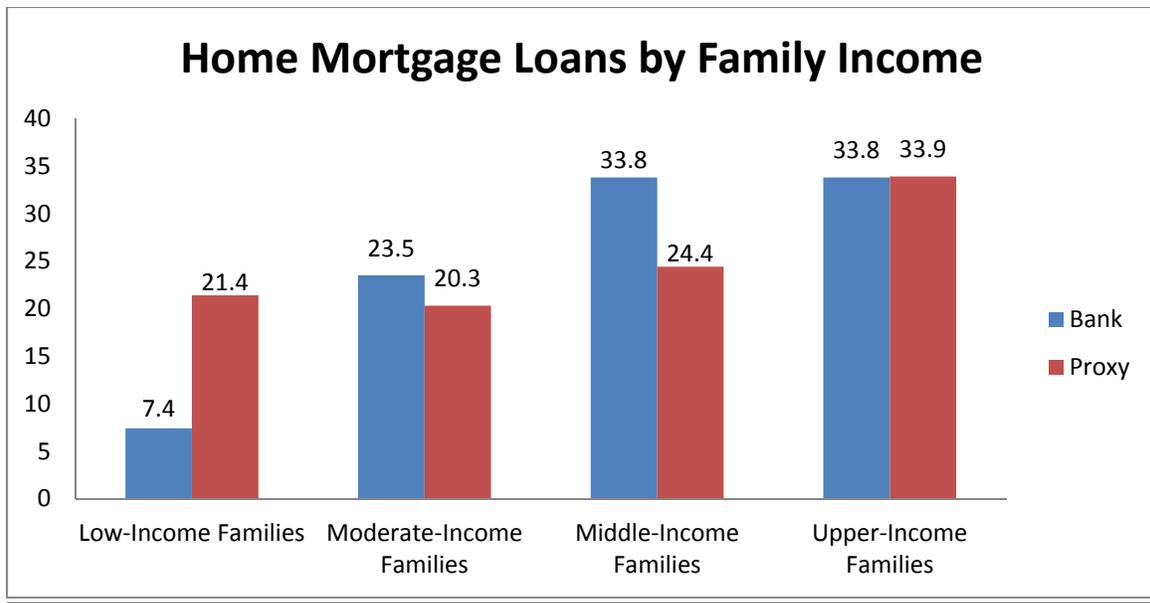


The chart shows that bank originated a lower percentage of motor vehicle loans to low-income households than the percentage of low-income households in the assessment area. Conversely, the bank originated a higher percentage of loans to moderate- and middle-income households than the proxies. The number of loans to upper-income households was below the proxy.

Low-income households generally spend a higher percentage of their incomes on necessities such as food, clothing, and shelter. As a result, the demand for consumer loans may be limited. Furthermore, over 10.0% of families in the assessment area are living below the poverty level and many of these families are likely to be low-income individuals. Given these factors, the borrower distribution of motor vehicle loans is reasonable.

Home Mortgage Loans

Of the 68 mortgage loans originated in the assessment area during the evaluation period, five were to low-income borrowers, 16 were to moderate-income borrowers, 23 were to middle-income borrowers, and 23 were to upper-income borrower. One home mortgage loan was made to a borrower of unknown income.

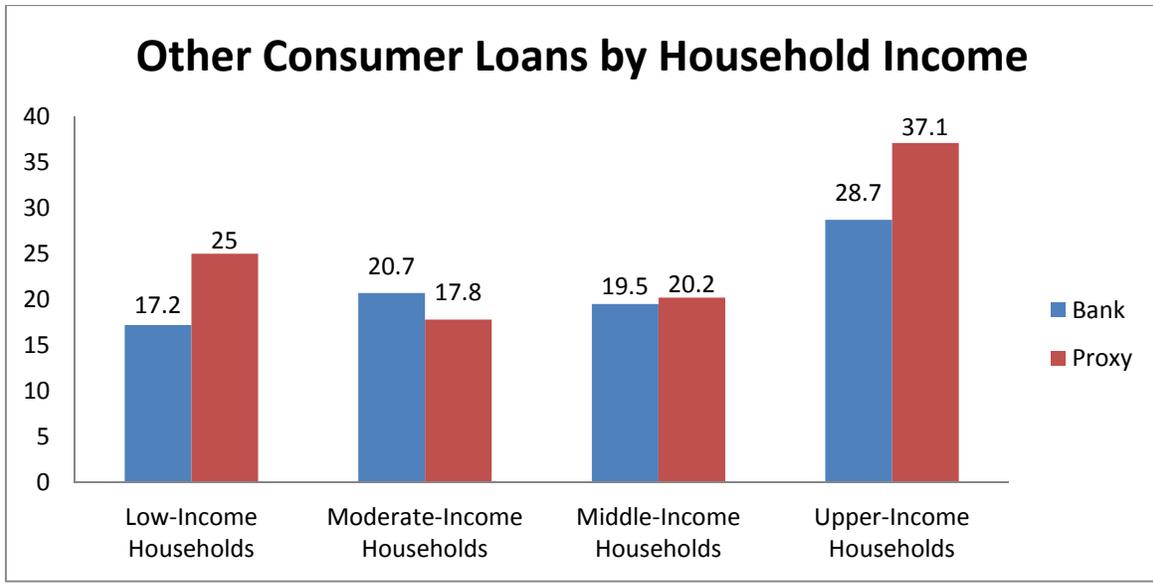


The chart shows that mortgage lending to low-income families was significantly below the percentage of low-income families in the assessment area. Mortgage lending to moderate-income families exceeded the percentage of moderate-income families in the assessment area. Lending to middle-income families was significantly above the proxy, while lending to upper-income families was consistent with the proxy.

The decreased mortgage lending to low-income families can be explained by a number of factors. Specifically, only 69.6% of homes in the assessment area would be affordable for low-income families. In addition, the unemployment rates within the assessment area have remained well above state and national averages. High unemployment makes it increasingly difficult for low-income borrowers to obtain loans. Lastly, it is unlikely that very low-income families and families below the poverty level would qualify for residential mortgage loans. Considering these factors, the borrower distribution of residential mortgage loans is reasonable.

Other Consumer Loans

Of the 87 other consumer loans originated in the assessment area during the evaluation period, 15 were to low-income borrowers, 18 were to moderate-income borrowers, 15 were to middle-income borrowers, and 25 were to upper-income borrowers. Twelve of the loans were made to borrowers of unknown incomes.



The chart indicates the bank originated a slightly lower percentage of other consumer loans to low-income households than the percentage of low-income households in the assessment area. The percentages of loans to middle- and upper-income households were also below proxy; however, the percentage of loans to moderate-income households exceeded the proxy. Given the demographics of the assessment area, the borrower distribution of consumer loans is considered reasonable.

Given the bank's level of lending to borrowers of different income levels, in particular low- and moderate-income borrowers, and to businesses of various sizes, the borrower distribution of loans is reasonable. Refer to the tables in Appendix B for additional information.

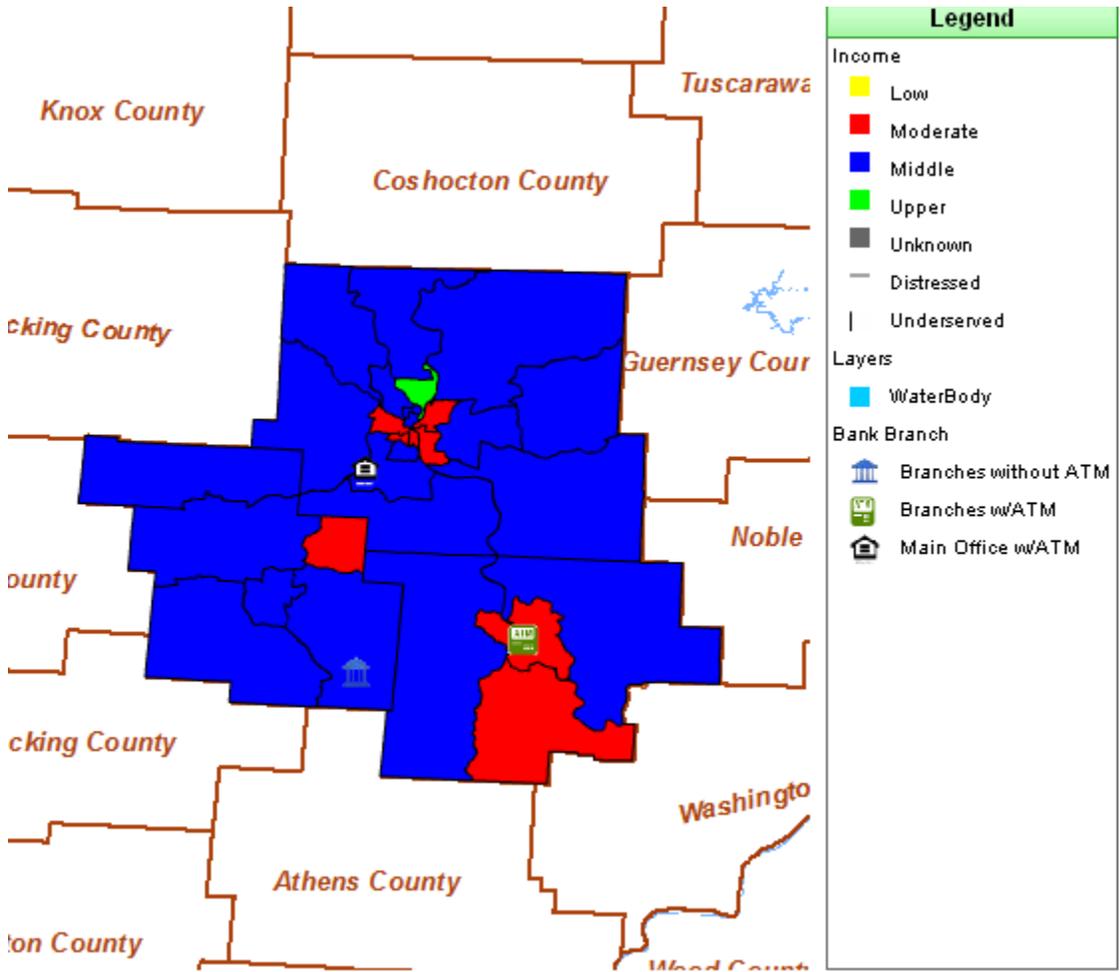
Response to Consumer Complaints

No CRA-related complaints were filed against North Valley during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices was noted during this evaluation.

APPENDIX A ASSESSMENT AREA MAP



APPENDIX B

LENDING TABLES

Consumer Loan Distribution Table

Assessment Area/Group: North Valley AA

	CONSUMER LOANS							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	All Mortgages							
Low	0	0.0%	0	0.0%	5	7.4%	221	3.7%
Moderate	21	30.9%	1,851	30.7%	16	23.5%	807	13.4%
Low/Moderate Total	21	30.9%	1,851	30.7%	21	30.9%	1,028	17.0%
Middle	46	67.6%	4,036	66.8%	23	33.8%	1,719	28.5%
Upper	1	1.5%	153	2.5%	23	33.8%	3,192	52.8%
Unknown	0	0.0%	0	0.0%	1	1.5%	101	1.7%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	68	100.0%	6,040	100.0%	68	100.0%	6,040	100.0%
	Motor Vehicle							
Low	0	0.0%	0	0.0%	27	14.5%	157	5.8%
Moderate	54	29.0%	777	28.7%	36	19.4%	394	14.6%
Low/Moderate Total	54	29.0%	777	28.7%	63	33.9%	551	20.4%
Middle	127	68.3%	1,823	67.4%	51	27.4%	777	28.7%
Upper	5	2.7%	106	3.9%	60	32.3%	1,150	42.5%
Unknown	0	0.0%	0	0.0%	12	6.5%	228	8.4%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	186	100.0%	2,706	100.0%	186	100.0%	2,706	100.0%
	Other Consumer Loans							
Low	0	0.0%	0	0.0%	15	17.2%	69	7.8%
Moderate	24	27.6%	456	51.2%	18	20.7%	82	9.3%
Low/Moderate Total	24	27.6%	456	51.2%	33	37.9%	152	17.0%
Middle	58	66.7%	396	44.5%	17	19.5%	326	36.6%
Upper	5	5.7%	39	4.3%	25	28.7%	367	41.2%
Unknown	0	0.0%	0	0.0%	12	13.8%	46	5.2%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	87	100.0%	891	100.0%	87	100.0%	891	100.0%
	Consumer Loan Totals							
Low	0	0.0%	0	0.0%	47	13.8%	448	4.6%
Moderate	99	29.0%	3,084	32.0%	70	20.5%	1,283	13.3%
Low/Moderate Total	99	29.0%	3,084	32.0%	117	34.3%	1,731	18.0%
Middle	231	67.7%	6,255	64.9%	91	26.7%	2,822	29.3%
Upper	11	3.2%	298	3.1%	108	31.7%	4,709	48.9%
Unknown	0	0.0%	0	0.0%	25	7.3%	375	3.9%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	341	100.0%	9,637	100.0%	341	100.0%	9,637	100.0%

CRA Loan Distribution Table

Income Categories	SMALL BUSINESS			
	#	%	\$(000s)	%
By Tract Income				
Low	0	0.0%	0	0.0%
Moderate	46	26.9%	6,117	23.5%
Low/Moderate Total	46	26.9%	6,117	23.5%
Middle	119	69.6%	19,144	73.5%
Upper	6	3.5%	783	3.0%
Unknown	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%
Total	171	100.0%	26,044	100.0%
By Revenue				
Total \$1 Million or Less	135	78.9%	14,910	57.2%
Over \$1 Million	36	21.1%	11,134	42.8%
Not Known	0	0.0%	0	0.0%
Total	171	100.0%	26,044	100.0%
By Loan Size				
\$100,000 or less	119	69.6%	4,255	16.3%
\$100,001 - \$250,000	24	14.0%	3,918	15.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	23	13.5%	11,429	43.9%
Over \$1 Million (Bus)-\$500k (Farm)	5	2.9%	6,441	24.7%
Total	171	100.0%	26,044	100.0%
By Loan Size and Revenue \$1 Million or Less				
\$100,000 or less	103	76.3%	3,349	22.5%
\$100,001 - \$250,000	16	11.9%	2,581	17.3%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	15	11.1%	7,781	52.2%
Over \$1 Million (Bus)-\$500k (Farm)	1	0.7%	1,200	8.0%
Total	135	100.0%	14,910	100.0%

APPENDIX C

GLOSSARY

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, Investment, and Service 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, innovativeness, complexity, and 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, Investment, and Service 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.