



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 22, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sonoma National Bank
Charter Number 18542

801 Fourth Street
Santa Rosa, CA 95404

Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Sonoma National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 22, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Sonoma National Bank (SNB) has a strong loan to deposit ratio and has good loan penetration among borrowers of different incomes and to businesses of different sizes. The majority of the bank's loans are made within its assessment area, and their geographic distribution is reasonable.

The following table indicates the performance level of Sonoma National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Sonoma National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	There have been no CRA complaints since the last CRA Public Evaluation.		

DESCRIPTION OF INSTITUTION:

Sonoma National Bank (SNB) is a full service commercial banking institution located in Santa Rosa, California providing general banking services to residents of Sonoma County. It is a wholly owned subsidiary of Northern Empire Bancshares, a unit bank holding company. The bank began operations in 1985 and as of 3/31/96 has total assets of \$173,636,000. The bank operates three full-service branch offices within their assessment area and three loan production offices which are located outside the assessment area in San Francisco, California; Citrus Heights, California; and Phoenix, Arizona. The bank's focus is primarily real estate and small business lending. As of 4/30/96, 54% the bank's loan portfolio by dollar amount was comprised of real estate loans, 30% Small Business Administration (SBA), 11% commercial, and 5% consumer loans.

Local competition consists primarily of community banks, and local branches of regional and multinational banks. These banks are involved in a variety of lending which includes real estate, commercial and consumer loans. SNB's previous CRA examination was December 31, 1992 where they received an overall rating of "Satisfactory" in meeting the credit needs of their community. The bank has no legal or financial impediments in meeting the credit needs of its community

DESCRIPTION OF SONOMA COUNTY:

The board of directors and senior management have determined the bank's assessment area to be all of Sonoma County. Sonoma County is part of the Sonoma Metropolitan Statistical Area (MSA) which includes the cities of Santa Rosa, Petaluma, Rohnert Park and Sebastopol. The bank's assessment area complies with the regulation and does not arbitrarily exclude low- or moderate-income areas.

According to the 1990 census, the county population was 388,222. The 1990 U.S. Census MSA median family income is \$41,961 and the median housing value is \$200,753. Of the sixty census tracts in this assessment area, eight are moderate-income tracts, forty-two are in middle-income tracts and nine are in upper-income tracts. The one remaining tract is undeveloped and has no population. There are no low-income tracts in the bank's assessment area. The primary employers in the county are in the service and retail industry which account for 30% and 22% of employment, respectively. Economic conditions in the county are good and remain stable.

We contacted a local community organization to better understand the credit needs of SNB's assessment area. According to this group, commercial real estate loans resulting in job creation and affordable housing are the primary needs within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

- The bank's loan to deposit ratio is more than reasonable, given the bank's size, financial condition and assessment area credit needs.

For this evaluation, we calculated the bank's average loan to deposit ratio for the past eight quarters beginning 9/30/94 and ending 6/30/96. During this period, SNB's average loan to deposit ratio was 84%. We compared SNB's loan to deposit ratio to three local banks with similar asset levels. As of 3/31/96, these three financial institutions had loan to deposit ratios of 68%, 63% and 36%, which are substantially less than the bank's average ratio of 84%.

Lending in the Assessment Area

- The majority of loans and other lending related activities are in the bank's designated assessment area.

SNB provided us with data (which we tested for accuracy) which showed the following: as of 4/30/96, the bank's total portfolio consisted of 1,007 loans, totaling \$139,226,000. Of these loans, 726 or 72% were made in the assessment area. By dollar amount, \$83,500,000 or 60% were made within SNB's assessment area of Sonoma County.

Lending to borrowers of different incomes and to businesses of different sizes

- Given the demographics of the assessment area, the distribution of borrowers reflects a good penetration among borrowers of different incomes and businesses of different sizes.

We sampled 25 consumer loans with origination dates ranging from 1/1/95 to 5/31/96. The table below compares our sample of 25 consumer loans to family income within Sonoma County. Column one (% of family income) shows the percentages of families within Sonoma County that are in low, moderate, middle and upper income categories. Column two represents the number of borrowers in our sample that are in low, moderate, middle and upper income categories. Column three represents the percentage of borrowers within our sample that are in low, moderate, middle and upper income categories. As shown in the table below, the bank is making a reasonable percentage of consumer loans to low- and moderate-income borrowers compared to the percentage of low- and moderate-income families within Sonoma County.

Borrower Income Distribution of Consumer Loans

Borrower Income	% of Family Income	# of Loans	% of Loans
Low	17	5	20
Moderate	19	4	16
Middle	25	8	32
Upper	39	8	32
Total	100	25	100

The bank also shows a reasonable distribution of credit to businesses of different sizes. We sampled 25 commercial business loans and the distribution of credit is set forth below:

Business Credit Distribution

	Businesses With Annual Revenue < \$1MM	% of Total Business Loans	Businesses With Annual Revenue > \$1MM	% of Total Business Loans
# Loans	23	92%	2	8%
\$ Amount	\$854M	88%	\$111M	12%

Geographic Distribution of Loans

C The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

The table below indicates management's success in extending credit throughout all parts of their assessment area.

Geographic Distribution of Loans
by Number of Loans and Income Level in its Assessment Area

Sonoma County Census Tracts	# of Loans in Portfolio	Pct. of Total	1990 Census Pop.	Pct. of Pop.
Low-income Tracts (0)	N/A	N/A	N/A	N/A
Moderate-income Tracts (8)	155	21%	39,647	10%
Middle-income Tracts (42)	408	56%	285,119	74%
Upper-income Tracts (9)	163	23%	63,456	16%
Total	726	100.00%	388,222	100.00%

Geographic Distribution of Loans
by Dollar Volume and Income Level in its Assessment Area

Sonoma County Census Tracts	\$ of Loans in Portfolio	Pct. of Total	1990 Census Pop.	Pct. of Pop.
Low-income Tracts (0)	N/A	N/A	N/A	N/A
Moderate-income Tracts (8)	\$ 21,011,784	25%	39,647	10%
Middle-income Tracts (42)	\$ 43,255,572	52%	285,119	74%
Upper-income Tracts (9)	\$ 19,233,117	23%	63,456	16%
Total	\$ 83,500,473	100.00%	388,222	100.00%

Response to Complaints

SNB has not received any complaints regarding the bank's CRA performance since the last examination in December 1992.

Other Items

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. These include the Equal Credit Opportunity Act, the Fair Housing Act and the Home Mortgage Disclosure Act. Based on our loan sample, we found no evidence of disparate treatment or prohibited discrimination against any protected classes.