

PUBLIC DISCLOSURE

July 6, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cache Valley Bank
RSSD #995076**

**101 North Main Street
Logan, Utah 84321**

**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

Institution's CRA Rating

Cache Valley Bank is rated "SATISFACTORY"

The major factors supporting the institution's rating include:

- A substantial majority of loans originated within the institution's assessment areas.
- A reasonable geographic distribution of small business, small farm, and residential mortgage loans throughout the assessment areas.
- An excellent level of lending to small businesses and small farms.
- A reasonable distribution of residential mortgage loans among borrowers of different income levels.

INSTITUTION

Description of Institution

Cache Valley Bank (CVB) is headquartered in Logan, Utah and reported total assets of \$259 million as of December 31, 2009. The bank was established on October 2, 1975, and is a wholly owned subsidiary of Cache Valley Banking Company, which was established on August 1, 1995. CVB operates three offices, with branches in the cities of Layton and North Logan, in addition to its headquarters. The Layton branch was acquired in May 2009 as a result of CVB's acquisition of the assets of a failed institution in that city.

CVB is a full-service community bank that offers a variety of products and services to local businesses, farms, and consumers. Commercial loan products offered include credit facilities for commercial real estate, working capital, operating lines of credit, equipment, and construction. Farm and agricultural credit products offered include credit facilities for equipment, livestock, farmland, and lines of credit. The bank also offers a wide array of consumer loan products, including secured, unsecured, auto loans and a variety of home mortgage products, including but not limited to construction, home purchase, refinance, and home equity loans.

In the table below, data from the December 31, 2009, Consolidated Reports of Condition and Income show the composition of the bank's loan portfolio and demonstrates that while the primary business focus is commercial lending, a variety of products are offered.

EXHIBIT 1		
LOANS AND LEASES AS OF DECEMBER 31, 2009		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	83,035	46.9
Construction & Land Development	39,785	22.4
Agriculture or Secured by Farm Land	24,386	13.7
Secured by 1-4 Family Residential Real Estate	20,298	11.4
All Other	5,085	2.9
Consumer Loans & Credit Cards	4,735	2.7
Total (Gross)	177,324	100.0

CVB currently operates in two assessment areas, which are comprised of the following:

- **Cache County**, which consists of Cache County, in its entirety, and is part of the Logan Metropolitan Statistical Area (MSA); and,
- **Davis County**, which consists of Davis County, in its entirety, and is part of the Ogden-Clearfield MSA.

The Cache County assessment area is the location of two of the bank's three offices. It remains unchanged since the last examination. The Davis County assessment area is the location of one branch office and was added in 2009, with the acquisition of the Layton branch.

CVB faces no legal or financial impediment that would prevent it from helping to meet the credit needs of its assessment area consistent with its business strategy, size, financial capacity, and local economic conditions. The bank received a Satisfactory rating at its previous Community Reinvestment Act (CRA) examination, conducted as of December 4, 2006, using the Interagency Small Institution Examination Procedures.

Scope of Examination

The CRA examination of CVB was conducted using the Interagency Small Institution Examination Procedures. The evaluation was based upon the following performance criteria:

- Loan volume in comparison to deposits (Loan-to-Deposit Ratio);
- Lending inside and outside the assessment area (Lending in Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and,
- Distribution of lending by borrower income and by businesses revenue (Lending by Borrower Income and Business Revenue).

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

The evaluation was based upon a review of small business and small farm loans and Home Mortgage Disclosure Act (HMDA) reportable consumer real estate loans originated between January 1, 2008, and December 31, 2009. A total of 346 small business, 91 small farm, 308 home purchase, 554 home refinance, and 36 home improvement loans were used in the evaluation of *Lending in Assessment Area*. Of these, all 294 home purchase loans, 541 refinance, and 35 home improvement loans, and a sample of 79 small business and 44 small farm loans made within the assessment areas were used to evaluate the *Lending Distribution by Geography* and *Lending Distribution by Business Revenue and Borrower Income*.

The Cache County assessment area was subject to a full-scope evaluation due to the fact that the bank is headquartered there and that it is the location of the vast majority of its activities. Conversely Davis County was only subject to a limited-scope review due to the bank's recent entry into this area and resulting low level of activity. Because of their limited volume, certain loan types were considered during the review but were not given any weight in the analysis of the bank's lending performance. Specifically, these were home improvement loans in the Cache County assessment area and all HMDA reportable loans in the Davis County assessment area.

Products were weighted according to volume, credit needs, and bank lending activity in each assessment area. Consistent with CVB's focus on commercial lending, the evaluation placed the greatest weight on small business lending. Give the volume of home mortgage lending, home

purchase and refinance loans received the second highest weighting. Small farm lending was accorded the lowest weight.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable. The bank's 13 quarter average LTD ratio was 77.9 percent. The ratio varied during the period from a high of 88.3 percent to a low of 72.2 percent. State average LTD was 90.2 percent and the average for peer banks 85.2 percent.

Lending in Assessment Areas

A substantial majority of the bank's loans were originated inside its assessment areas. As shown in Exhibit 2 below, overall the bank extended 94.8 percent of loans by number and 94.1 percent by dollar volume inside its assessment area, suggesting that lending activity is focused on its local markets.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS JANUARY 1, 2008 TO DECEMBER 31, 2009								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	315	91.0	32,930	87.4	31	9.0	4,755	12.6
Small Farm	80	87.9	4,633	71.8	11	12.1	1,818	28.2
Total Business/Farm-Related	395	90.4	37,563	85.1	42	9.6	6,573	14.9
HMDA Refinance	541	97.7	103,762	98.0	13	2.4	2,128	2.0
HMDA Home Purchase	294	95.5	44,690	93.6	14	4.6	3,054	6.4
HMDA Home Improvement	35	97.2	2,267	99.3	1	2.8	15	0.7
Total HMDA-Related	870	96.9	150,719	96.7	28	3.1	5,197	3.3
Total Loans	1,265	94.8	188,282	94.1	70	5.2	11,770	5.9

Geographic and Borrower Distribution

Overall, CVB had reasonable geographic and borrower distributions. Loans were generally distributed throughout the assessment areas with no conspicuous gaps in the lending patterns. The lending was generally consistent with the concentrations of small businesses and small farms and owner-occupied housing units as well as aggregate lending levels. With regard to borrower distribution, though refinance lending tended to be weighted more toward middle- and upper-income borrowers, the overall distribution among borrowers for all loan types was reasonable, with particular strength noted in lending to small businesses and small farms.

Response to Complaints

The bank received no complaints related to CRA during the review period. Consequently, the bank's performance in responding to complaints was not considered in evaluating its overall CRA performance.

Fair Lending or Other Illegal Practices Review

The fair lending review conducted concurrently with this examination did not identify any discriminatory or other illegal credit practices. The bank's compliance risk management program is designed to ensure compliance with fair lending and other credit practices rules, laws, and regulations.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

Cache County

DESCRIPTION OF OPERATIONS IN CACHE COUNTY

The assessment area consists of Cache County, in its entirety. This assessment area is located within the Logan MSA, which consists of Cache County and Franklin County, Idaho. Cache County is located north of Salt Lake City. The county seat is the city of Logan, where the bank is headquartered. Other major cities and towns in the county include Hyde Park, Hyrum, Lewiston, Nibely, North Logan, Providence, Richmond, Smithfield, and Wellsville.¹

CVB operates its headquarters and one branch office within Cache County, in the cities of Logan and North Logan. Despite the limited number of offices, the bank has a strong presence in the area. As of June 30, 2009, it held \$201 million in deposits, which accounted for 20.4 percent of deposits within the county.² As a result, CVB ranked second in deposit market share out of nine financial institutions that combined, operate a total of 23 branch offices within the county. Primary competitors include two regional and one national bank that collectively held 63.1 percent of the deposit market share and together held deposits of over \$600 billion.³ In 2009, there were 28 lenders reporting small business loans and 6 lenders reporting small farm loans pursuant to the reporting requirements of the CRA and 146 lenders reporting HMDA loans. Most of these were large regional and national institutions. These lenders, which represent only a portion of the commercial, agricultural, and home mortgage lending market, extended 2,453 small business loans totaling \$61 million, 54 small farm loans totaling approximately \$3 million, and 532 HMDA loans totaling over \$1 billion.⁴ Accordingly, while the bank is a significant participant in the market, competition is nevertheless noteworthy.

The following exhibit presents key demographic and business information used to help develop a performance context for the assessment area.

¹ Cache County, Utah, Utah Association of Counties, (accessed on August 5, 2010, available from http://www.uacnet.org/for_kids/counties/county.php?id=3).

² FDIC, Institution Directory, Deposit Market Share Report, Summary of Deposits, June 30, 2009, (accessed on June 29, 2010), available from <http://www2.fdic.gov/sod/>.

³ Ibid.

⁴ Information based on 2009 aggregate data consisting of institutions required to file annual CRA and HMDA data.

EXHIBIT 3 ASSESSMENT AREA DEMOGRAPHICS ⁵ CACHE COUNTY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.5	475	2.2	125	26.3	3,624	17.1
Moderate-income	5	22.7	6,442	30.4	917	14.2	4,263	20.1
Middle-income	9	40.9	7,798	36.8	385	4.9	4,967	23.4
Upper-income	7	31.8	6,489	30.6	262	4.0	8,350	39.4
<i>Total AA</i>	<i>22</i>	<i>100.0</i>	<i>21,204</i>	<i>100.0</i>	<i>1,689</i>	<i>8.0</i>	<i>21,204</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%-tract	%-units	#	%	#	%
Low-income	890	56	0.3	6.3	730	82.0	104	11.7
Moderate-income	10,942	3,670	20.6	33.5	6,700	61.2	572	5.2
Middle-income	9,449	7,551	42.4	79.9	1,496	15.8	402	4.3
Upper-income	7,754	6,525	36.7	84.2	815	10.5	414	5.3
<i>Total AA</i>	<i>29,035</i>	<i>17,802</i>	<i>100.0</i>	<i>61.3</i>	<i>9,741</i>	<i>33.5</i>	<i>1,492</i>	<i>5.1</i>
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	34	0.7	31	0.7	3	1.2	0	0.0
Moderate-income	1,522	31.8	1,345	30.8	109	41.9	68	41.0
Middle-income	1,822	38.1	1,639	37.6	113	43.5	70	42.2
Upper-income	1,408	29.4	1,345	30.8	35	13.5	28	16.9
<i>Total AA</i>	<i>4,786</i>	<i>100.0</i>	<i>4,360</i>	<i>100.0</i>	<i>260</i>	<i>100.0</i>	<i>166</i>	<i>100.0</i>
Percentage of Total Businesses		91.1		5.4		3.5		
Income Categories	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	1	0.4	1	0.5	0	0.0	0	0.0
Moderate-income	17	7.6	15	6.9	1	25.0	1	50.0
Middle-income	154	68.8	150	68.8	3	75.0	1	50.0
Upper-income	52	23.2	52	23.9	0	0.0	0	0.0
<i>Total AA</i>	<i>224</i>	<i>100.0</i>	<i>218</i>	<i>100.0</i>	<i>4</i>	<i>100.0</i>	<i>2</i>	<i>100.0</i>
Percentage of Total Farms		97.3		1.8		0.9		
2004 Median Family Income			\$43,907	2009 Median Housing Value ⁶			\$196,400	
2009 HUD Adjusted Median Family Income			\$55,500	December 2009 Unemployment Rate			4.2%	

⁵ 2000 U.S. Census and 2009 Dun & Bradstreet Data.

⁶ Cache County, Utah, Utah Detailed Profile, (accessed on July 28, 2010), available from http://www.city-data.com/county/Cache_County-UT.html.

Cache County has a relatively diverse economy centered in industries such as government, manufacturing, and farming. Government and manufacturing are among the most significant sectors of the economy, accounting for 23.0 percent and 20.0 percent of all employment, respectively.⁷ Major employers in the county include Utah State University, Bourns Manufacturing, ICON Health & Fitness, and Logan Regional Hospital.⁸ Small businesses are also a driver in the local economy as they account for 91.1 percent of all businesses, as shown in Exhibit 3 above. The county is also one of the primary agricultural production regions in the state.⁹ Crops produced include barley, wheat, beans, corn, apples, and alfalfa hay. Livestock raised in the area include dairy and beef cattle, sheep, lamb, and mink.¹⁰ As seen in Exhibit 3, 97.3 percent of the area's farms are small farms with gross annual revenue of less than \$1 million per year.

Throughout 2008, the local economy slowed, but remained relatively strong compared to the rest of the nation.¹¹ During this time, home prices continued to rise but remained affordable for the average family.¹² Utah State University, located in Logan, served as a pillar of stability in the area. The University provided not only significant employment that helped unemployment rates stay low, but also a large student body that supported the area's leisure, hospitality, and retail industries and an educated workforce that attracted employers to the area.¹³ Unemployment rose slightly during this time period primarily as a result of job growth not keeping up with the growing labor force.¹⁴ Nevertheless, the rate remained well below state and national averages.¹⁵

By the first quarter of 2009, however, the economy had slipped into a mild recession.¹⁶ One factor in the decline was the softening of the housing market, which was evidenced by a decline in housing permits and sales. Home prices, however, did not decline until the third quarter of 2009.¹⁷ And, lower exposure to non-prime, jumbo and investor mortgage loans kept the first mortgage delinquency rate among the lowest in the nation.¹⁸ Falling home prices also increased affordability. According to data from Moody's Economy.com, Logan had the second highest home affordability levels in Utah, just behind the Ogden-Clearfield area.¹⁹ By way of example, according to the CNN Money.com mortgage calculator,²⁰ a moderate-income family earning an annual income of \$43,845 could actually afford a home costing up to \$196,575 – just over the cost of a median-priced home in the area – assuming a Federal Housing Administration loan with a term of 30-years, a fixed interest rate of 5.0 percent, a 3.5 percent down payment, and no debt.

⁷ Economy.com's Precís Metro, Logan, April 2009.

⁸ Economy.com's Precís Metro, Logan, December 2009.

⁹ Utah State University Cooperative Extension, *Cache County Agriculture Profile 2005-2006*, (accessed August 25, 2010), available at http://extension.usu.edu/files/publications/publication/AG_Econ_county-2005-06.pdf.

¹⁰ Ibid.

¹¹ Economy.com's Precís Metro, Logan, April 2008.

¹² Economy.com's Precís Metro, Logan, August 2008.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Bureau of Labor Statistics (Haver Analytics) created June 22, 2010.

¹⁶ Economy.com's Precís Metro, Logan, April 2009.

¹⁷ Economy.com's Precís Metro, Logan, August 2009 and December 2009.

¹⁸ Economy.com's Precís Metro, Logan, April 2009.

¹⁹ Ibid.

²⁰ Available at <http://cgi.money.cnn.com/tools/mortgagecalc/>

Assuming the same criteria, low-income families earning \$27,195 per year, the top of the income range, could afford a home costing only \$125,205. Accordingly, affordability is most likely to be an issue for the area's low-income families.

During the review period, Federal and State programs funded by stimulus dollars enhanced affordability, particularly for those purchasing a home. For example, in 2009 the federal government offered tax credits of \$8,000 or \$6,500 for new or repeat home buyers. Similarly, the state offered a grant program called the Home Run Housing Grant to home buyers to stimulate the state's suffering economy and housing industry.²¹ Another program offered by the state allowed Utah residents to more easily access the funds from the federal tax credits by providing funds at closing that were then able to be used as a down payment.²²

Further evidence of the softer economy was the impact on agriculture. During the review period, Utah saw farmland values fall for the first time in 15 years, dragging property values from historic highs and negatively impacting farmers' ability to borrow money to operate their farms.²³ The rise in unemployment was another sign. Though still below state and national averages, unemployment reached its peak in the third quarter of 2009 at 4.5 percent.²⁴ Cutbacks in housing-related, retail, and leisure/hospitality industries added to the rising unemployment; however, the primary contributor was a downturn in manufacturing.²⁵ As one of the primary sources of employment in the area, cutbacks resulting from reduced demand for consumer goods due to the recession hit manufacturing particularly hard and resulted in job losses throughout the year.²⁶ Though the unemployment rate had dipped slightly to 4.2 percent by year-end, this was primarily attributed to job seekers leaving the labor force and not to improved labor conditions.²⁷

By year-end 2009, the area had begun a tenuous recovery with stabilization in the homebuilding industry, increased home sales, and abatement of job losses in the retail and government sectors. However, manufacturing was expected to continue to struggle and home prices were expected to continue to fall for several more quarters.²⁸

While homes became increasingly affordable over the review period, community representatives indicated that rising unemployment contributed to foreclosures, which nearly doubled during 2009. As a result, they suggested that there is a need for funding to provide foreclosure prevention counseling.

With regard to businesses, generally speaking, small businesses, which comprise a substantial majority of the businesses in the area, are often in need of loans in smaller dollar amounts.

²¹ Utah Housing Corporation, *Home Run Housing Grants Shown To Stimulate Utah's Economy*, June 30, 2009, (accessed August 25, 2010) available at http://b2b.utahhousingcorp.org/PDF/PR_2009_06_30.pdf.

²² Weist, Dan; *Equity Now Helps Utah Home Buyers*, April 24, 2010, *The Standard-Examiner* (accessed August 25, 2010) available at <http://www.standard.net>.

²³ House, Dawn; *Ag Prices Looking Better, Utah Farmers Told*, July 15, 2010, *The Salt Lake Tribune*, (accessed August 25, 2010); available at <http://www.sltrib.com/sltrib/money/49937043-79/prices-utah-farmers-stephens.html.csp>.

²⁴ Bureau of Labor Statistics (Haver Analytics) created June 22, 2010.

²⁵ *Economy.com's Precís Metro*, Logan, April 2009.

²⁶ *Economy.com's Precís Metro*, Logan, December 2009.

²⁷ *Ibid.*

²⁸ *Ibid.*

Community representatives in the area noted that although not always a result of a change in circumstances in the borrower's ability to repay, small businesses are facing difficulty obtaining credit at all due to a decreased risk tolerance among financial institutions in the area. This is supported by the Federal Reserve Board's October 2009 *Senior Loan Officer Opinion Survey on Bank Lending Practices*. According to this national survey, approximately 15.0 percent of banks reported tightening lending standards for commercial and industrial loans. While this is an improvement over the nearly 80.0 percent of banks that had reported tightened lending standards in the October 2008 survey,²⁹ it should be noted that none of the banks surveyed reported loosening standards, suggesting that the more stringent criteria adopted by many banks as a result of the financial crisis remain in place. Similarly, given that 97.0 percent of the area's farms are small farms, it is anticipated that they would also be in need of smaller dollar loans and that they would face comparable challenges in obtaining credit due to stricter loan criteria.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN CACHE COUNTY

Overall performance in Cache County is satisfactory. The lending distribution by geography and by borrower income and business revenue demonstrates an overall reasonable level of lending across different geographic areas and different levels of income and revenue.

Lending Distribution by Geography

Overall, geographic distributions of small business, small farm, and consumer real estate loans demonstrated a reasonable dispersion throughout the bank's assessment area. There were no unexplained gaps in the bank's lending patterns.

Small Business Lending

The geographic distribution of small business loans is reasonable. As seen in Exhibit 4 below, the bank made no loans in low income tracts; however, the sole low-income tract in the area is occupied primarily by the local university and has a nominal number of small businesses and as a result, limited opportunities to lend. In the remaining tracts of all income levels, small business lending was reasonably comparable to the concentration of business and to the level of aggregate lending. While the level of lending to businesses in middle-income tracts exceeded the representation of businesses and the level of aggregate lending, the difference was not excessive.

²⁹ Board of Governors of the Federal Reserve System, *The October 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices*, page 2, October 2009, (accessed June 30, 2010), available from <http://www.federalreserve.gov/boarddocs/snloansurvey/200911/fullreport.pdf>.

EXHIBIT 4			
GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS BY CENSUS TRACT			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Low-Income	0.0	0.7	1.02
Moderate-Income	27.8	31.8	33.2
Middle-Income	45.8	38.1	36.9
Upper-Income	26.4	29.4	28.9

Small Farm Lending

The geographic distribution of small farm loans is reasonable. Demographic data shows only one farm located in the area's only low-income tract. With regard to other tracts, as seen in Exhibit 5 below, small farm lending was reasonably comparable to the concentration of farms and to the level of aggregate lending.

EXHIBIT 5			
GEOGRAPHIC DISTRIBUTION OF SMALL FARM LOANS BY CENSUS TRACT			
Census Tract Income Category	Bank Lending (%)	Farm Concentration (%)	Aggregate Lending (%)
Low-Income	0.0	0.4	0.0
Moderate-Income	4.5	7.6	5.6
Middle-Income	45.5	68.8	68.5
Upper-Income	50.0	23.2	25.9

Home Mortgage Lending

The geographic distribution of home mortgage loans is reasonable. It should be noted that the area's sole low-income tract is primarily occupied by the local university and housing units are largely for university students. Accordingly, opportunities to lend are very limited in this area. With regard to the remaining tracts, however, as seen in Exhibits 6 and 7 below, home purchase and home refinance lending were reasonably distributed, overall.

Home purchase lending in moderate-income census tracts was particularly strong, exceeding both the percentage of owner-occupied units and the level of aggregate lending. This was partially attributable to a new development of reasonably priced homes in a moderate-income census tract for which the bank originated a number of loans. Lending in middle- and upper-income tracts was also reasonably comparable to the distribution of owner-occupied units and aggregate lending in those tracts.

While the level of home refinance lending in moderate-income tracts was less than the percentage of owner occupied units and the level of aggregate lending, it was still significant and reasonably comparable to level of aggregate lending within the area.

EXHIBIT 6			
GEOGRAPHIC DISTRIBUTION OF HOME PURCHASE LOANS BY CENSUS TRACT			
Census Tract Income Category	Bank Lending (%)	Owner-Occupied (%)	Aggregate Lending (%)
Low-Income	0.0	0.3	0.2
Moderate-Income	30.4	20.6	26.9
Middle-Income	29.4	42.4	38.8
Upper-Income	40.3	36.7	34.2

EXHIBIT 7			
GEOGRAPHIC DISTRIBUTION OF HOME REFINANCE LOANS BY CENSUS TRACT			
Census Tract Income Category	Bank Lending (%)	Owner-Occupied (%)	Aggregate Lending (%)
Low-Income	0.0	0.3	0.0
Moderate-Income	10.8	20.6	16.3
Middle-Income	35.8	42.4	40.3
Upper-Income	53.5	36.7	43.4

Lending Distribution by Borrower Income and Business or Farm Revenue

Overall, lending distribution by borrower income and business or farm revenue reflected a reasonable penetration among the borrowers. Specifically, the bank’s lending reflected excellent penetration to businesses and farms of different revenue sizes. The distribution of home mortgage loans among borrowers of different income levels did display some disparities between either the representation of families in the income category and/or the level of aggregate lending. While these disparities could not be fully explained by performance context, the overall level of lending to low- and moderate-income borrowers was, nevertheless, still sufficient to be considered reasonable.

Small Business Lending

The bank made an excellent number of loans to small businesses. As shown in Exhibit 8 below, at 73.6 percent versus 24.3 percent, the percentage of loans made to businesses with gross annual revenues of \$1 million or less exceeded the percentage of aggregate lending by a wide margin. In addition, a substantial majority of these small business loans were in amounts less than \$100,000, which helped meet an identified need for smaller dollar business loans.

EXHIBIT 8						
BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS						
Businesses with Revenue <= \$1 Million		Originations Regardless of Revenue Size by Loan Amount			Aggregate Lending	
Bank Lending (%)	All Businesses (%)	<=\$100K (%)	> \$100K and <=\$250K (%)	> \$250K and <=\$1M (%)	All Loans	Revenue <= \$1 Million (%)
73.6	91.1	68.1	19.4	12.5	2453	24.3

Small Farm Lending

The bank made an excellent number of loans to small farms. As shown in Exhibit 9 below, at 90.9 percent, the percentage of loans made to farms with gross annual revenues of \$1 million or less was only slightly less than the representation of these entities and exceeded the level of aggregate lending. In addition, the vast majority of these small farm loans were in dollar amounts less than \$100,000, meeting an identified credit need.

EXHIBIT 9						
FARM REVENUE DISTRIBUTION OF SMALL FARM LOANS						
Farms with Revenue <= \$1 Million		Originations Regardless of Revenue Size by Loan Amount			Aggregate Lending	
Bank Lending (%)	All Businesses (%)	<=\$100K (%)	> \$100K and <=\$250K (%)	> \$250K and <=\$1M (%)	All Loans	Revenue <= \$1 Million (%)
90.9	97.3	84.1	13.6	2.3	54	85.2

Home Mortgage Lending

The distribution of home purchase and home refinance loans among borrowers of different income levels was reasonable, overall. Performance was stronger with regard to home purchase loans than refinance loans, which may be attributable, in part, to a shift toward purchase transactions by low- and moderate-income buyers due to state and federal incentive programs.

As shown in Exhibit 10, for home purchase loans, the distribution of loans to middle- and upper-income borrowers was reasonably comparable to both the representation of families and the level of aggregate lending. Lending to low-income families was comparable to the level of aggregate lending. Though it trailed the representation of such families, this difference may be attributable to affordability factors. The level of lending to moderate-income borrowers trailed the level of aggregate lending but was in line with the representation of such families in the area.

With regard to refinance loans, the level of lending for middle- and upper-income borrowers approximated the distribution of families and the level of aggregate lending. For low-income borrowers, the rate was in line with aggregate lending, but was substantially lower than the representation of families. Refinance lending to moderate-income borrowers trailed both the representation of families and the level aggregate lending, though not by an inordinate amount.

EXHIBIT 10			
INCOME DISTRIBUTION OF HOME PURCHASE LOANS			
Income Level	Bank Lending (%)	Families (%)	Aggregate Lending (%)
Low-Income	8.5	17.1	9.4
Moderate-Income	19.9	20.1	32.4
Middle-Income	32.5	23.4	31.2
Upper-Income	39.1	39.4	27.0

EXHIBIT 11			
INCOME DISTRIBUTION OF HOME REFINANCE LOANS			
Income Level	Bank Lending (%)	Families (%)	Aggregate Lending (%)
Low-Income	3.9	17.1	4.2
Moderate-Income	13.0	20.1	19.0
Middle-Income	24.2	23.4	31.7
Upper-Income	59.0	39.4	45.1

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

CVB's performance in the Davis County assessment area was generally consistent with the Cache County assessment area, which received a full-scope review. Due to CVB's entry into this market in mid 2009 through the purchase of a failed bank's assets and branch office, the bank had a very limited presence and activity in this assessment area during the review period. As a result, performance in this area received limited consideration in the overall assessment and did not materially affect the rating. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

ASSESSMENT AREA	LENDING TEST
Davis County	Consistent

CVB's performance in the Davis County assessment area was consistent with performance in the full scope assessment area. The bank's geographic distribution of small business lending was reasonable; loans were primarily originated in tracts closest to the bank's only branch in the county. While no loans were made in moderate-income geographies, the lack of penetration is reasonable given the bank's recent entry into the market and the nominal number of total loan originations. The distribution of loans to small businesses was reasonable. The level of lending exceeded both the representation of businesses and the level of lending by aggregate lenders to such businesses.

APPENDIX A

GLOSSARY OF TERMS

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

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

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

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

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the lending, 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, 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.

APPENDIX B

LIMITED-SCOPE ASSESSMENT AREA MARKET PROFILES

Davis County

The assessment area consists of Davis County in its entirety, which lies just north of Salt Lake County and borders the Great Salt Lake, on the east. This assessment area is located within the Ogden-Clearfield MSA, which consists of Davis, Morgan, and Weber Counties. Layton is the largest city within the assessment area.³⁰

CVB's sole branch within the assessment area is located in Layton. The bank's presence in this competitive market is limited. As of June 30, 2009, CVB held \$9 million in deposits, which accounted for only 0.4 percent of deposits within the county,³¹ ranking the bank 12th in deposit market share out of 14 financial institutions that combined, operate a total of 54 branch offices. The bank also has a low market share among area lenders. There were 245 lenders reporting 28,320 home mortgage loans pursuant to HMDA in 2009. CVB ranked 84th among these institutions and accounted for just 0.02 percent of the mortgage volume within the county. Similarly, there were 36 small business lenders and six small farm lenders that reported data pursuant to the CRA. These entities originated 5,732 small business loans and 18 small farm loans in 2009. Most of these commercial and mortgage lenders were large regional and national banks; they represent only a small portion of the market.

The following exhibit presents key demographic and business information as well as the bank's lending distributions the assessment area.

³⁰ Davis County, Utah, Cities in Davis County, (accessed on June 30, 2010), available from http://www.daviscountyutah.gov/county_info/city.cfm.

³¹ FDIC, Institution Directory, Deposit Market Share Report, Summary of Deposits, June 30, 2009, (accessed on June 30, 2010), available from <http://www2.fdic.gov/sod/>.

EXHIBIT 12								
ASSESSMENT AREA DEMOGRAPHICS ³²								
DAVIS COUNTY								
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	7,550	12.7
Moderate-income	6	12.2	6,761	11.4	580	8.6	11,181	18.8
Middle-income	26	53.1	32,611	54.8	1,371	4.2	15,197	25.5
Upper-income	17	34.7	20,151	33.9	433	2.1	25,595	43.0
<i>Total AA</i>	<i>49</i>	<i>100.0</i>	<i>59,523</i>	<i>100.0</i>	<i>2,384</i>	<i>4.0</i>	<i>59,523</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%-tract	%-units	#	%	#	%
Moderate-income	10,367	4,382	7.9	42.3	5,315	51.3	670	6.5
Middle-income	40,832	30,626	55.4	75.0	8,579	21.0	1,627	4.0
Upper-income	22,915	20,237	36.6	88.3	2,062	9.0	616	2.7
<i>Total AA</i>	<i>74,114</i>	<i>55,245</i>	<i>100.0</i>	<i>74.5</i>	<i>15,956</i>	<i>21.5</i>	<i>2,913</i>	<i>3.9</i>
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Moderate-income	1,640	13.5	1,357	12.2	164	27.1	119	29.2
Middle-income	6,355	52.3	5,836	52.4	291	48.0	228	56.0
Upper-income	4,166	34.3	3,955	35.5	151	24.9	60	14.7
<i>Total AA</i>	<i>12,161</i>	<i>100.0</i>	<i>11,148</i>	<i>100.0</i>	<i>606</i>	<i>100.0</i>	<i>407</i>	<i>100.0</i>
Percentage of Total Businesses			91.7		5.0		3.3	
Income Categories	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Moderate-income	3	2.4	3	2.4	0	0.0	0	0.0
Middle-income	79	62.2	77	61.6	2	100.0	0	0.0
Upper-income	45	35.4	45	36.0	0	0.0	0	0.0
<i>Total AA</i>	<i>127</i>	<i>100.0</i>	<i>125</i>	<i>100.0</i>	<i>2</i>	<i>100.0</i>	<i>0</i>	<i>100.0</i>
Percentage of Total Farms			98.4		1.6		0.0	
2004 Median Family Income			\$54,158	December 2009 Median Housing Value ³³			\$208,500	
2009 HUD Adjusted Median Family Income			\$68,500	December 2009 Unemployment Rate			5.6%	

³² 2000 U.S. Census and 2009 Dun & Bradstreet Data.

³³ GreaterSaltLakeRealEstate.com, Davis County Fourth Quarter 2009 Homes Prices, (accessed on August 6, 2010), available from: <http://www.greatsaltlakecityrealestate.com/homeprices/davis-county-4th-quarter2009-home-prices.html>.

EXHIBIT 13 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Moderate	0.0	13.5	13.7
Middle	71.4	52.3	49.8
Upper	28.6	34.3	36.5

EXHIBIT 14 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS						
Businesses with Revenue <= \$1 Million		Originations Regardless of Revenue Size by Loan Amount			Aggregate Lending	
Bank Lending (%)	All Businesses (%)	<=\$100K (%)	> \$100K and <=\$250K (%)	> \$250K and <=\$1M (%)	All Loans	Revenue <= \$1 Million (%)
100.0	91.7	57.1	28.6	14.3	5,732	27.5