

PUBLIC DISCLOSURE

December 1, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community First Bank
RSSD #843270**

**555 North West Third Street
Prineville, Oregon 97754**

**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

Community First Bank is rated "SATISFACTORY"

The major factors supporting the institution's rating include:

- A substantial majority of loans originated within the bank's assessment area;
- A reasonable geographic distribution of small business loans;
- A good level of lending of lending to businesses of different sizes, including businesses with gross annual revenues of \$1 million or less; and
- A notable number of small business loans in dollar amounts less than \$100 thousand.

INSTITUTION

Description of Institution

Community First Bank (CFB), with total assets of \$216 million as of June 30, 2008, is headquartered in Prineville, Oregon. The institution is a wholly owned subsidiary of Prineville Bancorporation, a one bank holding company.

The bank currently operates a network of eight full service branches and one stand-alone automated teller machine (ATM). The bank's main branch is located in the city of Prineville in Crook County. Of the remaining seven branches, six are located in neighboring Deschutes County in the cities of Bend, Lapine, Redmond, and Terrebonne. The seventh is located in the town of Madras in Jefferson County. The bank operates a stand-alone deposit taking ATM in Lake County. Since the previous CRA evaluation, the bank opened three branches – two in Bend and one in Redmond – and closed its loan center in Redmond.

CFB is a full-service community bank that focuses on meeting the needs of businesses and individuals by offering a wide array of loan products and services. The bank's primary lending focus is commercial real estate followed by commercial and residential construction lending. Other products include commercial working capital lines, home equity loans and lines of credit, and consumer installment loans, among others. CFB also offers consumer and business deposit products.

Below is the June 30, 2008, loan portfolio as stated in the Consolidated Reports of Condition and Income, which shows the bank's commercial focus.

EXHIBIT 1		
LOAN TYPE	DOLLAR AMOUNT ('000s)	PERCENT OF VALUE
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$74,306	43.8%
Construction & Land Development	56,606	33.3%
Secured by 1-4 Family Residential Real Estate	21,803	12.8%
Secured by Multi-Family Real Estate	5,007	2.9%
Secured by Farm Land	4,279	2.5%
Consumer Loans & Credit Cards	3,627	2.2%
All Other	2,163	1.3%
Finance Agriculture Products	2,022	1.2%
Total (Gross)	\$169,813	100.0%

At the previous CRA examination as of August 16, 2004, the bank had one assessment area. At this examination, the bank has two assessment areas albeit the geographic area covered has not changed since the prior examination. The assessment area change was driven by the Office of Management and Budget designating Deschutes County a metropolitan statistical area (MSA) in

2004. This change, coupled with the technical requirements of the CRA for assessment area definition,¹ prompted the bank to divide its one assessment area into two, as follows:

- **Bend-Prineville**, which consists of Crook and Deschutes counties (Crook County is a nonmetropolitan statistical area and Deschutes County is metropolitan statistical area. These two counties make-up the Bend-Prineville CSA), along with a census tract from neighboring Klamath County and another census tract in adjacent Lake County (both counties are nonmetropolitan statistical areas).
- **Jefferson**, which consist of Jefferson County in its entirety.

CFB faced no legal or financial impediments during the review period that would have prevented it from helping to meet the credit needs of its assessment areas consistent with its business strategy, size, financial capacity, and local economic conditions. The bank received a satisfactory rating at the previous CRA examination.

Scope of Examination

The CRA evaluation was conducted using the Interagency Small Institution Examination Procedures. The evaluation was based on the following performance criteria:

- Loan volume compared to deposits (Loan-to-Deposit Ratio);
- Lending inside versus outside the assessment areas (Lending in Assessment Area);
- Dispersion of lending throughout the assessment areas (Lending Distribution by Geography); and
- Lending to businesses of different sizes (Lending Distribution by Business Revenue).

Responsiveness to consumer complaints was not evaluated because the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on small business loans originated between July 1, 2006, and June 30, 2008. A total of 183 small business loans were used in the evaluation of *Lending in Assessment Area*. A total of 148 small business loans were used to evaluate the *Lending Distribution by Geography* and a sample of 53 of the 148 small business loans were used to evaluate *Lending Distribution by Business Revenue*. There were insufficient volumes of home mortgage loans and small farm loans to draw meaningful conclusions regarding the bank's lending performance. As such, these loan products were excluded from the analysis.

The Bend-Prineville assessment area received a full-scope review as the bank's lending and deposit activities principally occur in this area. Jefferson County received a limited review given

¹ Pertinent to limitations on the delineation of an assessment area, section 228.41(e)(4) of the CRA indicates that each bank's assessment area may not extend substantially beyond an MSA boundary. If a bank serves a geographic area that extends substantially beyond an MSA boundary, the bank shall delineate separate assessment areas for the areas inside and outside the MSA.

that the bank has only one branch in this assessment area and lower levels of loan and deposit activity.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable. The bank's eight-quarter average loan-to-deposit ratio, at 98.6 percent as of June 30, 2008, is commensurate with the state average and above the national peer average of 80.5 percent. The bank's ratio is reasonable given its size and strategic focus.

Lending in Assessment Areas

The concentration of loans inside the assessment area is excellent. As shown in the table below, in terms of volume and dollar amount, the bank extended a substantial majority of its small business loans in the assessment area.

EXHIBIT 2								
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS								
JULY 1, 2006 THROUGH JUNE 30, 2008								
LOAN TYPE	Inside				Outside			
	#	%	\$ (‘000s)	%	#	%	\$ (‘000s)	%
HMDA Home Purchase	23	76.7	10,280	85.1	7	23.3	1,803	14.9
HMDA Refinance	11	100.0	3,070	100.0	0	0.0	0	0.0
HMDA Home Improvement	14	87.5	6,156	95.6	2	12.5	281	4.4
Total HMDA-Related	48	84.2	19,509	90.4	9	15.8	2,084	9.6
Small Farm	32	100.0	3,990	100.0	0	0.0	0	0.0
Small Business	165	90.2	21,853	79.7	18	9.8	5,573	20.3
Total Business-Related	197	91.6	25,843	82.3	18	8.4	5,573	17.7
TOTAL LOANS	245	90.1	45,349	85.6	27	9.9	7,657	14.4

Lending Distribution by Geography and Business Revenue

Overall, the geographic and business revenue distributions of small business loans are reasonable. Small business loans were reasonably distributed among the different income level census tracts and among businesses of different sizes.

Response to Complaints

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

Fair Lending or Other Illegal Practices Review

Although the bank's policies affirm its commitment to comply with the fair lending laws and regulations, violations of the substantive provision of applicable fair lending laws and regulations were identified at this examination. These violations, however, did not negatively impact the bank's ability to extend small business credit within its designated assessment area and, thus, did not negatively impact the bank's overall CRA performance.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

Bend – Prineville Assessment Area

DESCRIPTION OF OPERATIONS IN BEND-PRINEVILLE ASSESSMENT AREA

The Bend-Prineville assessment area consists of 27 contiguous census tracts encompassing four counties. The counties of Crook and Deschutes together account for 25 of the census tracts and one census tract from neighboring Klamath County and another from adjacent Lake County complete the assessment area, which has a population of over 177,000.²

Thirteen percent of the bank's assessment area's populace is in Crook County, which is the most centrally located county in Oregon.³ Prineville is the county seat and the only incorporated city in Crook County. The bank started its operation in Prineville in 1980 and its main branch headquarters remains in the area. Paulina, Post, and Powell Butte and are the other communities within the sparsely settled regions of the county. All four census tracts in Crook County are middle-income census tracts.

Eighty-four percent of the assessment area population is in Deschutes County, with the largest city being Bend with a population over 67,000. Three of the bank's six branches in Deschutes County are in Bend. Other cities that have a good population base in Deschutes County include La Pine, Redmond and Sister.

The one census tract in Lake County includes the communities of Paisley and Christmas Valley; the bank has a stand-alone deposit taking ATM in Christmas Valley. The one census tract in Klamath County is considered a distressed middle-income census tract with high poverty and unemployment rates. Both census tracts share northern borders with Deschutes County and contain roughly three percent of the assessment area's population.

In terms of deposit market share, the bank has good presence in the assessment area. As of June 30, 2008, the bank's branch offices garnered \$154 million in deposits, representing 6.3 percent of the market share and ranking the bank eighth out of 15 Federal Deposit Insurance Corporation (FDIC) insured financial institutions operating 96 branches in the assessment area.⁴

² The U.S. Census 2006 estimated population for Deschutes County and Crook County is 149,140 and 22,941, respectively. The 2000 U.S. Census population for census tract 9701.00 in Klamath County is 2,814 and for census tract 9601.00 in Lake County is 2,358.

³ Crook County Oregon, *About the County*, (accessed November 6, 2008), available through <http://www.co.crook.or.us>.

⁴ Data regarding FDIC insured deposits, market share, and financial institution branches were obtained from Federal Deposit Insurance Corporation, Summary of Deposits, June 30, 2008 (accessed November 20, 2008), available through <http://www.fdic.gov/sod/>.

CFB faces competition in the assessment area for small business loans. In 2007, there were 53 large lenders reporting over 12 thousand small business loans in the assessment area and these lenders represent only a small portion of the overall market.

The following exhibit presents key demographic and business information, based upon the 2000 U.S. Census and 2008 Dun & Bradstreet data, that was used to help develop a performance context for the assessment area. There are no designated low-income tracts in the assessment area.

EXHIBIT 3									
ASSESSMENT AREA DEMOGRAPHICS									
BEND-PRINEVILLE ASSESSMENT AREA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	n/a	0	0	0	0	6,965	17.8	
Moderate-income	6	22.2	7,293	18.6	702	9.6	7,915	20.2	
Middle-income	14	51.9	22,088	56.3	1,490	6.7	9,009	23.0	
Upper-income	7	25.9	9,841	25.1	487	4.9	15,333	39.1	
Total AA	27	100.0	39,222	100.0	2,679	6.8	39,222	100.0	
Income Categories	Housing Units by Tract	Housing Types by Tract							
		Owner-occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Moderate-income	13,491	6,842	17.1	50.7	4,201	31.1	2,448	18.1	
Middle-income	36,839	22,489	56.2	61.0	8,142	22.1	6,208	16.9	
Upper-income	16,016	10,695	26.7	66.8	2,737	17.1	2,584	16.1	
Total AA	66,346	40,026	100.0	60.3	15,080	22.7	11,240	16.9	
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	2,143	21.2	1,911	20.8	182	24.2	50	28.7	
Middle-income	4,887	48.3	4,480	48.8	330	43.9	77	44.3	
Upper-income	3,081	30.5	2,795	30.4	239	31.8	47	27.0	
Total AA	10,111	100.0	9,186	100.0	751	100.0	174	100.0	
Percentage of Total Businesses:		90.9		7.4		1.7			
Median Family Income 2000			\$46,098	2007 Median Housing Value ⁵			Crook County Deschutes County (Bend)		\$224,151 \$426,044
2008 HUD Adjusted Median Family Income			2007 Unemployment Rate ⁶						
Crook County			\$48,100	Crook County				6.3%	
Deschutes County			58,200	Deschutes County				5.0%	

Although the bank’s assessment area covers four counties, the following narrative focuses on the Bend-Prineville CSA, the primary location of the area’s population, economic centers and the bank’s branches. Additionally, neighboring communities such as those in Lake, Klamath, and Jefferson Counties have a high degree of integration with the Bend-Prineville CSA such that business and economic conditions in the Bend-Prineville CSA significantly affect these neighboring communities.

⁵ Economic Development for Central Oregon – Central Oregon Facts, *Central Oregon Association of Realtors*, (accessed November 7, 2008) available through <http://www.edforco.org>.

⁶ Bureau of Labor Statistics (Haver Analytics) Created August 25, 2008 (accessed November 17, 2008), available through <http://www2.fdic.gov/recon>.

During the beginning of the review period, the Bend-Prineville CSA (area) experienced a robust and growing economy. In-migration from higher cost metropolitan areas in Oregon, California and Washington helped fuel population growth at a rate of 6 percent in 2006. The influx of migrants contributed to the residential real estate market's prominent growth and created demand for population-dependent industries such as retail, leisure/hospitality, healthcare and education. In 2006, retail trade and the leisure/hospitality industries employed the largest percentage of the workforce at 14.8 percent and 13.5 percent, respectively; followed by healthcare and education, providing 11.8 percent of employment in the area. Demand for healthcare services helped make St. Charles Medical Center the top employer in the area with over 2,000 employees.⁷ In line with the increased population growth, building and activities related to the residential housing market were key contributors to the area's job growth as construction provided 11.1 percent of employment in the area.⁸ In comparison, the construction trade provided 5.9 percent of employment in Oregon and 5.6 percent in the nation.⁹ The area's 2006 unemployment rate was 4.8 percent, an all time low from the prior rate of 8.5 percent a decade ago.¹⁰

The area's expansion started to decelerate in 2007 and clear signs of economic weakness were visible by the first half of 2008. A major contributor to the slowdown was the falling demand for residential real estate. Building permits in 2007 numbered 1,824, declining 49.5 percent from the year ago level of 3,610.¹¹ The softening of the real estate market was further evident in foreclosure filings, which increased over 500 percent from the second quarter of 2007 to the second quarter of 2008.¹² As a result of decreased demand, employers in housing-related industries, such as construction and finance, began slowing the expansion of their payrolls. Growth in other employment sectors also slowed and compounded the negative effects of the declining residential market. For example, employment in the area's wood manufacturing industry fell roughly 19.0 percent through the third quarter 2007, from its peak in the first quarter of 2006.¹³ The transportation manufacturing sector also experienced job losses with the bankruptcy of an aircraft manufacturing firm in the area.¹⁴ Overall, the area showed no net additions to payrolls over the second half of 2007¹⁵ and the unemployment rate climbed to 6.5 percent¹⁶ by the second quarter of 2008.

With homes having appreciated at an annualized rate of 37 percent from 2003 to 2006, housing affordability in the area became the lowest of all Oregon metropolitan areas¹⁷ and the city of

⁷ Area's growth rate, employment percentages, as well as number employed by St. Charles Medical Center are available from Economy.com Précis Metro, Bend Metro Area, April 2007.

⁸ Ibid.

⁹ Economy.com Précis Metro, Oregon, August 2007.

¹⁰ Bureau of Labor Statistics (Haver Analytics) Created August 25, 2008, available through <http://www2.fdic.gov/recon/> (accessed November 17, 2008).

¹¹ Economic Development for Central Oregon – Central Oregon Facts, Central Oregon Association of Realtors, (accessed November 7, 2008) available through <http://www.edforco.org>.

¹² Realty Trac Foreclosure Data.

¹³ Economy.com Précis Metro, Bend Metro Area, April 2008.

¹⁴ Steve Williams, "Central Oregon Posts Muted Gains in 2007", published March 13, 2008, Oregon Labor Market Information Systems available through <http://www.qualityinfo.org> (accessed January 16, 2009).

¹⁵ Economy.com Précis Metro, Bend Metro Area, December 2007.

¹⁶ Bureau of Labor Statistics (Haver Analytics) Created August 25, 2008 (accessed November 17, 2008), available through <http://www2.fdic.gov/recon>.

¹⁷ Economy.com Précis Metro, Bend Metro Area, August 2006.

Bend was ranked the second most overvalued housing market in the nation.¹⁸ Even with home values declining in 2007 and the first half of 2008, the affordability of housing remains an issue in the area. In 2007, the median earning family in Deschutes County could afford a mortgage of \$175,000.¹⁹ Given the median housing value of \$426,044, housing affordability was outside the reach of many working families.

Credit needs vary in the assessment area. In addition to the aforementioned affordable housing needs, discussions with community representatives also revealed that the tightening lending standards resulting from the economic downturn have resulted in a need for on-going working capital loans (typically less than \$100 thousand) for small businesses. Furthermore, community contacts also revealed that homeowners are unable to offset expenses with the use of home equity loans or lines of credit as a result of tightening lending standards and/or their home value declining.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE BEND- PRINEVILLE ASSESSMENT AREA

Lending Distribution by Geography

The geographic distribution of loans is reasonable. The table below shows that small business loans were extended in all of the assessment area's income geographies and compared reasonably to the percentage of business concentrations and aggregate lending. In particular, the lending in the moderate-income census tracts exceeded both the percentage of business concentrations and aggregate lending in the Bend-Prineville and Deschutes County assessment areas. The one moderate-income census tract in the Crook County and Non-Metro Census Tracts is located in Lake County and is at some distance from the bank's branches and has fewer businesses located in it; as such, the bank's lending level in this area is considered reasonable. Contributing to this performance is the fact that small business loans are extended throughout the assessment area, with no gaps in lending patterns.

EXHIBIT 4 – SMALL BUSINESS

¹⁸ Les Christie, "More home markets 'extremely' overvalued", published September 21, 2006, CNN Money.com, available at <http://www.money.cnn.com> (accessed November 28, 2008).

¹⁹ Assumes a 30-year fixed rate mortgage at 6.0 percent interest and a maximum mortgage payment of 28.0 percent. Federal Home Loan Mortgage Corporation guidance advises borrowers that a 28.0 percent payment is generally considered a lending standard. See "How Much Can you Afford to Spend on a Home?" (accessed November 28, 2008); available through www.freddiemac.com.

Bend – Prineville Assessment Area			
Census Tract Category	Bank Lending	Business Concentration	Aggregate Lending
Moderate-Income	27.0	21.2	17.7
Middle-Income	57.4	48.3	48.7
Upper-Income	15.5	30.5	33.5
Non-Metro Census Tracts (Crook County, Klamath, and Lake)			
Census Tract Category	Bank Lending	Business Concentration	Aggregate Lending
Moderate-Income	4.6	9.4	8.4
Middle-Income	95.4	90.6	91.6
Deschutes County			
Census Tract Category	Bank Lending	Business Concentration	Aggregate Lending
Moderate-Income	36.5	22.7	18.8
Middle-Income	41.4	43.0	43.8
Upper-Income	22.1	34.3	37.4

Lending Distribution by Business Revenue

The level of lending to small businesses is reasonable. As shown in the table below, the majority of small business loans are to small businesses. The percentage of loans extended to small businesses is reasonable relative to the percentage of small businesses in the assessment area and the aggregate level of lending. In addition, a notable number of loans in smaller dollar amounts less than \$100 thousand, thereby addressing an articulated credit need.

EXHIBIT 5 – SMALL BUSINESS						
Bend-Prineville Assessment Area						
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
57.5	90.8	50.0	30.0	20.0	12,911	48.3
Non-Metro Census Tracts (Crook County, Klamath, and Lake)						
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
75.0	91.5	66.7	25.0	8.3	1,317	49.9
Deschutes County						
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
50.0	90.8	42.9	32.1	25.0	11,594	48.1

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

CFB's performance in the assessment area receiving a limited review is generally consistent with the area receiving a full-scope review as noted in the table below. Due to the bank's limited presence and lower percentages of loan and deposit activity within Jefferson County, this assessment area received less weight than the full-scope area. Consequently performance in Jefferson County did not materially affect the result of the bank's overall lending test. Facts and data reviewed, including performance and demographic information, can be found in Appendix B accompanying this report.

ASSESSMENT AREA	LENDING TEST	COMMUNITY DEVELOPMENT TEST
Jefferson County	Consistent	N.A.

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 is analyzed considering performance context, quantitative factors (for example, geographic distribution and borrower distribution), 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 is analyzed using only quantitative factors (for example, geographic distribution and borrower 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 AREAS

MARKET PROFILES

All demographic and economic information in this appendix came from one of the following sources:

- 2000 U.S. Census
- 2007 Dun & Bradstreet data
- *Income Limits*, (U.S. Department of Housing and Urban Development), available at <http://www.huduser.org/datasets/il.html>
- FDIC Market Share Selection, *Summary of Deposits*, June 30, 2008: available from <http://www2.fdic.gov/sod>
- Jefferson County Oregon, *Welcome to Jefferson County* (accessed January 13, 2009), available from <http://www.co.jefferson.or.us/>
- Bureau of Labor Statistics (Haver Analytics) Created 8/25/08 (accessed November 17, 2008), available through <http://www2.fdic.gov/recon>
- Economic Development for Central Oregon – Central Oregon Facts, *Central Oregon Association of Realtors*,(accessed November 7, 2008) available through <http://www.edforco.org>
- The Confederated Tribes of Warm Springs, Tribal Investments (accessed December 12, 2008), available through <http://www.warmsprings.com>

Jefferson County Assessment Area

Jefferson County assessment area consists of four census tracts, three middle-income and one moderate-income, and shares the southern border with Deschutes and Crook counties. The bank's sole branch in the area is located in the town of Madras, which is also the County seat. In 2007, Jefferson County's population was 20,687. The principle industries in the area are agriculture, forest products, and recreation. The central part of the county produces seed, potatoes, hay, and mint. The eastern part of the county has dry wheat farming and grazing for cattle, and the western part is timber country.

The one moderate-income census tract in Jefferson County is entirely part of the Confederated Tribes of the Warm Springs Reservation (reservation). The confederated tribes operate several enterprises, including: the Warm Springs Forest Product Industry, which is the single largest industry in the area; Kah-Nee-Ta, which is a resort and casino employing over 300 workers; and, the Warm Springs Power Enterprises, which is able to sell electricity. According to a community contact within the reservation, the tribes operate a credit enterprise, which extends commercial and consumer credit with rates and terms more favorable than other lending institutions in the area.

The bank has relatively limited presence in Jefferson County, operating one full-service branch in Madras. The bank held \$15.1 million in deposits, representing an 11.3 percent market share as of June 30, 2008, and ranked fourth out of six FDIC-insured depository institutions operating six branches in this assessment area. Deposits are primary concentrated in one regional bank, which held 44.9 percent of the market deposits. There is significant competition for small business loans in the assessment area with 23 lenders reporting over 700 small business loan extensions and these lenders represent only a portion of the overall market.

MARKET PROFILE								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Tract Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	822	15.8
Moderate-income	1	25.0	539	10.4	144	26.7	1,098	21.1
Middle-income	3	75.0	4,653	89.6	397	8.5	1,261	24.3
Upper-income	0	0.0	0	0.0	0	0.0	2,011	38.7
Total AA	4	100.0	5,192	100.0	541	10.4	5,192	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract Income						
		Owner-occupied			Renter-occupied		Vacant	
		#	%-tract	%-units	#	%	#	%
Moderate-income	675	411	8.6	60.9	224	33.2	40	5.9
Middle-income	7,644	4,384	91.4	57.4	1,708	22.3	1,552	20.3
Total AA	8,319	4,795	100.0	57.6	1,932	23.2	1,592	19.1
Income Categories	Total Businesses by Tract	Businesses by Tract Income & Revenue Size						
		Less than or Equal to \$1 Million		Greater Than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Moderate-income	38	6.0	28	4.9	7	18.9	3	11.1
Middle-income	599	94.0	545	95.1	30	81.1	24	88.9
Total AA	637	100.0	573	100.0	37	100.0	27	100.0
Percent of Total Businesses			90.0		5.8		4.2	
Median Family Income 2000			\$ 40,733	2007 Median Housing Value			\$187,367	
2008 HUD Adjusted Median Family Income			\$48,100	2007 Unemployment Rate			6.8%	

The lending test performance in Jefferson County was consistent with performance in the full-scope assessment area. A review of the bank's geographic lending pattern within Jefferson County indicates that most small business loans are in close proximity to the bank's branch in Madras, and compared reasonably to the percentage of business concentrations and aggregate lending. In addition, the majority of small business loans are to small businesses with a majority of the loans in small dollar amounts less than \$100 thousand. Furthermore, as previously noted, the one moderate-income census tract is the reservation which has limited lending opportunities.

SMALL BUSINESS LOANS							
Census Tract Category		Bank Loans		Business Entities		Aggregate Lending	
Moderate-income		0.00		6.0		2.5	
Middle-income		100.00		94.0		97.5	
Small Businesses		Originations Regardless of Business Revenue Size by Loan Amount				Aggregate Lending	
Bank Lending	Small Businesses	\$100,000 or less	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Number of All Loans	% to Small Businesses	
84.6	89.9	69.2	15.4	15.4	722	42.5	