



PUBLIC DISCLOSURE

July 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pioneer Trust Bank, National Association
Charter Number 21060

109 Commercial Street NE, Salem, OR 97301

Office of the Comptroller of the Currency

101 Stewart Street, Suite 1010, Seattle, WA 98101

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Pioneer Trust Bank, National Association ("PTB" or "Bank") has an overall satisfactory record of meeting community credit needs. This is based on the following:

- The Bank has a reasonable loan-to-deposit (LTD) ratio, averaging 82.63 percent during the evaluation period.
- The Bank's record of lending in the assessment area (AA) exceeds the standard for satisfactory performance. A significant majority of the Bank's loans originated within its defined AA.
- The distribution of loans reflects a reasonable penetration among businesses of different sizes given the Bank's credit product offerings and local economic conditions.
- The bank's geographic distribution of loans reflects excellent dispersion throughout the AA.
- The Bank's community development performance demonstrates adequate responsiveness to the community development needs of its AA.
- There were no public complaints about the Bank's CRA performance.

Scope of Examination

This Performance Evaluation covers the period from March 18, 2008 through July 15, 2013, and was evaluated using 2000 and 2010 U.S. Census demographic information. There had been no data integrity review conducted prior to this evaluation. We determined that commercial lending is the Bank's primary product accounting for a majority of loan originations during the evaluation period. We analyzed the Bank's business loans originated from January 1, 2011 through June 30, 2013, for the lending test. We evaluated business loans originated in 2011 using 2000 U.S. Census demographic information, and business loans originated during 2012 through June 30, 2013, using 2010 U.S. Census demographic information. We reviewed all of the Bank's community development investments, loans, and services to ensure they meet the definition for community development.

Description of Institution

Pioneer Trust Bank, N.A. is a local community bank that was incorporated in 1924 as a trust bank. In July 1968, PTB became a full service bank. PTB is wholly-owned by Pioneer Trust Bank Corporation, a one-bank holding company. As of June 30, 2013, PTB reported total assets of \$327 million and loans of \$208 million (64 percent of total assets).

PTB provides full-service banking through the main headquarters office and one branch office, both located in Salem, Oregon. ATM services are available at both office locations. Although PTB's primary banking focus is in serving the business community of the assessment area, the Bank also offers consumer and home loan products. The Bank's primary loan product is business loans. The following table shows the Bank's loan origination activity for 2011 and for 2012 through June 30, 2013.

Table 1

PIONEER TRUST BANK, N.A. LOAN ORIGINATIONS								
Loan Product	Calendar Year 2011				Calendar Year 2012 and January 1 through June 30, 2013			
	Dollar Amount of Loans (\$000)	% of \$ Total	Number of Loans	% of # Total	Dollar Amount of Loans (\$000)	% of \$ Total	Number of Loans	% of # Total
Business Loans	95,101	78	340	68	166,845	79	546	69
Home Loans	23,597	19	98	20	39,369	19	194	25
Consumer Loans/Other	1,001	1	46	9	1,528	1	41	5
Farm Loans	2,268	2	14	3	2,104	1	6	1
Total Loans	121,967	100	498	100	209,845	100	787	100

Source: Bank's data.

The Bank received a rating of "Satisfactory" at the prior evaluation, dated March 17, 2008. There are no legal or financial circumstances impeding the Bank's ability to help meet the credit needs of the community.

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

Description of Assessment Area(S)

For calendar year 2011, based on the 2000 U. S. Census, PTB's AA consists of 40 census tracts. Due to changes in the 2010 U.S. Census, the Bank's AA for calendar years 2012 and 2013 consists of 45 census tracts. The census tracts create an approximate circle around the Bank's main banking office and its branch in Salem, Oregon. The Bank's assessment area includes parts of Marion and Polk counties. The two counties, together, comprise the Salem Metropolitan Statistical Area ("MSA"). The Bank's AA meets the requirement of the regulation and does not arbitrarily exclude low- and moderate-income census tracts (CTs).

The following table highlights the demographic composition of the AA based on the 2000 U.S. Census.

Table 2a (2000 U.S. Census)

PTB's ASSESSMENT AREA COMPOSITION INCOME CHARACTERISTICS OF CTs, BUSINESSES AND FAMILIES						
CT Income Characteristic	# and % of CTs		# and % of Businesses		# and % of Families	
Low Income	1	2.50%	89	0.37%	119	0.21%
Moderate Income	12	30.00%	6,800	28.36%	15,314	27.03%
Middle Income	14	35.00%	8,883	37.04%	20,848	36.79%
Upper Income	13	32.50%	8,208	34.23%	20,384	35.97%
Total	40	100.00%	23,980	100.00%	56,665	100.00%

Source: 2000 U.S. Census and 2011 Dun & Bradstreet

According to the 2000 U.S. Census, the population of the AA is 226,065, and the weighted average value of the median housing is \$131,073. The weighted average HUD [2011] updated MSA median family income is \$59,000. Dun and Bradstreet 2011 business demographic data indicates there are 23,980 businesses within the Bank's AA, of which 70 percent are small businesses. Low- and moderate-income (LMI) CTs represent 32.50 percent of all CTs in the AA, and 27.24 percent of all families live within LMI CTs.

The following table highlights the demographic composition of the AA based on the 2010 U.S. Census.

Table 2b (2010 U.S. Census)

PTB's ASSESSMENT AREA COMPOSITION INCOME CHARACTERISTICS OF CTs, BUSINESSES AND FAMILIES						
CT Income Characteristic	# and % of CTs		# and % of Businesses		# and % of Families	
Low Income	0	0.00%	0	0.00%	0	0.00%
Moderate Income	12	26.67%	6,787	28.74%	15,318	27.03%
Middle Income	21	46.67%	10,223	43.29%	26,645	36.79%
Upper Income	12	26.67%	6,603	27.96%	20,281	35.97%
Total	45	100.00%	23,613	100.00%	62,244	100.00%

Source: 2010 U.S. Census and 2012 Dun & Bradstreet

According to the 2010 U.S. Census, the population of the AA is 253,138, an increase of 12 percent since the 2000 U.S. Census. The weighted average value of the median housing rose 61 percent since the 2000 U.S. Census to \$211,142 for the 2010 U.S. Census. The 2012 weighted average HUD updated MSA median family income is \$60,000. Dun and Bradstreet 2012 business demographic data indicates the number of businesses within the Bank's AA declined to 23,613, of which 73 percent are small businesses. There are no low-income CTs in the Bank's AA based on the 2010 U.S. Census. Moderate- income CTs represents 26.67 percent of all CTs in the AA, and 24.61 percent of all families live within LMI CTs.

According to Moody's Analytics, the six largest employment sectors in the Salem MSA employ 80.4 percent of all employees: Government (28.0%), Education and Health Services (15.8%), Retail Trade (11.6%), Leisure and Hospital Services (8.8%), Manufacturing (8.1%) and Professional and Business Services (8.1%). The food production industry is a leader in the manufacturing sector. According to the Oregon Employment Department, the Salem MSA seasonally adjusted unemployment rate has declined from 11.1 percent in 2009 to 8.3 percent for June 2013.

The Salem MSA economy is slowly recovering as state government finances improve. In the private sector, the leisure and hospitality employment is increasing, and recouped all jobs lost during the recession. Farmers and food processors in the Salem MSA are projected to fare relatively well. Local farmers were not directly impacted by last year's drought. Growth in Asian countries and the emergence of middle-class consumers indicate increasing demand for food exporters. Nearly 40 percent of the state's farm production is exported, with the majority to Asian countries. The outlook for housing is projected to be muted with weak demand and would-be buyers delaying purchases until the recovery is further established.

Competition from other financial institutions is strong. According to the FDIC-Insured Institutions Deposit Market Share Report, there are 17 commercial and savings banks, with 97 branch offices, in the market area. PTB ranks 6th in deposit market share, with 6.33 percent. The four largest banks hold over 62 percent of the deposit market share. The major competing institutions include U.S. Bank, N.A., Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., and West Coast Bank.

In conjunction with this CRA examination, we conducted two community contact interviews to learn about opportunities within the community, and how well financial institutions address the credit and service needs of the community. The contacts were a Salem based Community Development Corporation (CDC) and a Home Builders' Association. Both contacts feel there is a need for local banks to provide more financing for housing. The CDC felt there is a need for low income housing financing and the Home Builders Association felt there is a need for housing development financing to address the needs of the community.

Please refer to the Bank’s CRA public file for more information about the Bank’s assessment area.

Conclusions with Respect to Performance Tests

LENDING TEST

Based on a full scope review, the Bank’s commercial lending performance in the AA is satisfactory overall. Conclusions to support this rating are based on the LTD ratio, lending in the AA, lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans and no public complaints, further discussion follows.

Loan-to-Deposit Ratio

The Bank’s loan-to-deposit (“LTD”) ratio demonstrates a willingness to lend. The level of lending is reasonable given the Bank’s size, area credit needs, and the competitive banking market. We analyzed the Bank’s quarterly LTD ratio from January 1, 2008 through March 31, 2013. During this period, the LTD ranged from a low of 69.16 percent to a high of 90.09 percent, with a quarterly average of 82.63 percent. The Bank does not have a similarly situated peer bank operating in the same AA. Accordingly, we were unable to compare the Bank’s ratio to a peer bank’s quarterly LTD ratio. The Bank’s average LTD ratio meets the standards for satisfactory performance.

Lending in Assessment Area

The Bank's record of lending in the AA exceeds the standard for satisfactory performance.

Table 3

PIONEER TRUST BANK, N.A. LENDING IN THE AA								
Loan Type	Number of Loans				Dollars of Loans (\$000s)			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans (2011)*	284	84%	56	16%	\$74,049	78%	\$21,052	22%
Business Loans (2012 & 2013)**	421	77%	125	23%	\$125,762	75%	\$41,083	25%

*Source: All business loans originated during calendar year 2011.

**Source: All business loans originated during calendar year 2012 and YTD June 30, 2013.

A majority of the Bank’s loans and other lending-related activities are made within the Bank’s designated AA. Our review included all business loans originated in 2011 and all business loans originated in 2012 through June 30, 2013. The Bank originated 284 loans, or 84 percent of the number of loans, and 78 percent of the dollar volume of the

loans to borrowers within their AA in 2011. And, the Bank originated 421 loans, or 77 percent of the number of loans, and 75 percent of the dollar volume of the loans to borrowers within their AA in 2012 through June 30, 2013.

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

The distribution of loans reflects a reasonable penetration among businesses of different sizes given the demographics of the AA, the Bank’s loan products offered, and the local economic conditions.

Table 4a (2011)

PIONEER TRUST BANK, N.A.				
BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN THE AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.53%	2.82%	27.64%	100%
% of Bank Loans in AA by #	58.24%	38.24%	3.53%	100%
% of Bank Loans in AA by \$	38.71%	55.55%	5.74%	100%

Source: All business loans originated during calendar year 2011; 2011 Business Geodemographic Data (Dun and Bradstreet)

The percentage of businesses with revenues of less than or equal to \$1,000,000 within the AA was 69.53 percent. Based on all the Bank’s small business loans, the Bank originated 58.24 percent of their loans to these businesses in 2011. Although the Bank’s activity is below demographics, it represents reasonable penetration among businesses of different sizes.

Table 4b (2012 – 6/20/2013)

PIONEER TRUST BANK, N.A.				
BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN THE AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.28%	3.40%	23.32%	100%
% of Bank Loans in AA by #	60.80%	32.97%	6.23%	100%
% of Bank Loans in AA by \$	41.82%	51.14%	7.04%	100%

Source: All business loans originated during calendar year 2012 and YTD June 30, 2013; 2012 Business Geodemographic Data (Dun and Bradstreet)

The percentage of businesses with revenues of less than or equal to \$1,000,000 within the AA is 73.28 percent. Based on all the Bank’s small business loans, the Bank originated 60.80 percent of their loans to these businesses in 2012 through June 30, 2013. Although the Bank’s activity is below the AA demographics for small businesses, it represents reasonable penetration among businesses of different sizes.

Geographic Distribution of Loans

The Bank's geographic distribution of loans reflects excellent dispersion throughout the AA. The Bank was not able to penetrate all census tracts within their AA. However, there were no conspicuous gaps in the Bank's distribution of loans.

Business Loans

As shown in the table below, the geographic distribution of loans reflects excellent dispersion throughout the AA. The Bank’s business lending in the low-income and moderate income geographies of the AA in 2011 exceeded the ratio of businesses located in low- and moderate-income tracts. There were no low-income tracts in the AA for 2012 and 2013. The bank’s business lending in the moderate-income geographies in 2012 and 2013 exceeded the ratio of businesses in moderate-income tracts.

Table 5

PIONEER TRUST BANK, N.A. GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans 2011*	0.37%	1.06%	28.36%	34.15%	37.04%	40.85%	34.23%	23.94%
Business Loans 2012 and 2013**	0.00%	0.00%	28.74%	32.78%	43.29%	46.56%	27.96%	20.67%

* Source: All business loans originated during calendar year 2011. Demographic Data Source: 2011 Business Geodemographic Data (Dun and Bradstreet)

**Source: Loan sample of business loans originated during calendar year 2012 and YTD June 30, 2

Responses to Complaints

There have been no consumer complaints relating to the Bank’s Community Reinvestment Act performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank’s community development performance demonstrates adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the Bank's capacity and the need and availability of such opportunities for community development in the Bank’s AA.

Number and Amount of Community Development Loans

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, PTB originated two community development loans totaling close to \$1.8 million. An example of loans for a qualifying community development organization is described below.

The Bank funded a \$1 million loan with a nonprofit organization that provides affordable housing for people with disabilities and children in long-term foster

care. The purpose of the loan was to construct multifamily dwellings for long-term foster care and for affordable housing for disabled individuals.

Number and Amount of Qualified Investments

For the evaluation period, PTB has no mortgage-backed securities or other low income housing investments within the Bank's AA.

Cash donations of \$267 thousand were made to various organizations during this evaluation period.

Extent to Which the Bank Provides Community Development Services

The Bank's community development services consist of volunteer and bank subsidized service efforts on the part of employees and senior bank management. Bank employees have provided community development services to seven organizations. The activity was responsive to the community development needs of low- or moderate-income individuals or geographies.

Responsiveness to Community Development Needs

The Bank's overall responsiveness through CD activities, CD lending, investment, and service needs, is adequate. This is supported by the CD loans, investments, and services originated during the period. These services and investments help to provide needed community services within PTB's AA.

Fair Lending or Other Illegal Credit Practices Review

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

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