



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

January 5, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Evergreen FS & LA
Charter Number 702610

969 SE 6th St, Grants Pass, OR 97526-2960

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 Outstanding.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Evergreen Federal Savings and Loan Association (Evergreen, or the association) meets the credit needs of its combined assessment areas. The major factors supporting the association's rating include the following:

- The association's loan-to-deposit ratio is satisfactory.
- A substantial majority of the association's lending activity is inside its assessment areas.
- Lending to individuals of different income levels and businesses of different sizes meets the standard for satisfactory performance.
- The geographic distribution of home loans and loans to small businesses meets the standard for satisfactory performance.
- The association's performance for meeting the community needs through community development loans, qualified investments, and community development services is outstanding.

Scope of Examination

This Performance Evaluation (PE) assesses the association's CRA performance using Intermediate Small Bank CRA procedures, which include a lending test and a community development (CD) test. The lending test evaluates the association's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The community development test evaluates the association's responsiveness to community development needs in its AAs through CD lending, qualified CD investments, and CD services. The lending test for Evergreen covers January 1, 2012 through December 31, 2013 (the review period). The evaluation period for the community development test covers September 8, 2011 through January 5, 2015.

Evergreen has two primary loan products, home mortgage loans and business loans. Our evaluation focused on analysis of these two primary loan types. These two loan product types represent a significant majority of new loan volume during the evaluation period.

Evergreen has two AAs, for which we performed full-scope reviews. Josephine and Curry Counties are combined into the association's Southern Oregon Non-MSA AA. Evergreen has also designated the Medford, OR MSA as an AA, which includes all of Jackson County.

Prior to this evaluation, we performed a data integrity examination to determine the accuracy of Evergreen's Home Mortgage Disclosure Act (HMDA) loan data. The level of exceptions and/or errors was not significant and was within the required thresholds. Therefore, the data was accurate for use in this evaluation.

Description of Institution

Evergreen is a full-service mutual savings association headquartered in Grants Pass, Oregon, which is located in Josephine County. Evergreen was chartered in June 1934. As a mutual savings association, Evergreen is owned by its depositors and borrowers. Its products and services are tailored to the deposit and credit needs of its local communities. The association does not have any subsidiaries or affiliates.

Evergreen operates six full-service locations located in Josephine, Curry, and Jackson Counties. Most of Evergreen's lending and deposit volumes are centered in Josephine County, part of the Southern Oregon non-MSA AA. The Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of June 30, 2014 shows that Evergreen held \$331.7 million in deposits within its branch offices; 81.3 percent of Evergreen's deposits are in the Southern Oregon non-MSA AA, with the remainder in the Medford MSA AA. The association's branches are located in the cities of Grants Pass, Cave Junction, Brookings, Medford, and Rogue River. Evergreen offers free 24-hour banking services through on-site automated teller machines (ATMs) at all branch locations, its Gold Phone automated phone system, and online banking services.

As of September 30, 2014, Evergreen reported \$385 million in total assets. Major categories of assets are shown in the following table:

Major Components of Total Assets		
As of September 30, 2014		
Asset Type	Amount (\$000s)	% of Total Assets
Permanent Mortgage Loans		
- 1 – 4 Family Closed End Loans	77,094	20.0
- Multifamily Loans	14,751	3.8
- Nonresidential and Land	122,208	31.7
Single Family Construction Loans	6,883	1.8
Other Construction Loans, Land Development and Other Land Loans	13,695	3.6
Commercial Loans	6,929	1.8
Consumer Loans	872	0.2
Investments		
- U.S. Treasury Securities	2,962	0.8
- U.S. Government-Sponsored Agencies	4,924	1.3
Interest Bearing Balances	87,992	22.9
Cash/Non-Interest Bearing Balances	4,995	1.3

Source: FDIC Call Report

Evergreen is primarily a residential mortgage lender but offers a variety of credit products to meet the credit needs of its AAs, including commercial real estate, construction, and commercial business loans.

The association received an “Outstanding” rating at the prior CRA evaluation dated September 7, 2011. Currently, there are no legal, financial, regulatory, or other factors impeding the association’s ability to meet the credit needs of its AAs.

Description of Assessment Areas

An assessment area (AA) is a geographic area in which CRA performance is measured. These geographies must include the association’s branch offices and deposit-taking automated teller machines. In addition, the AA boundaries must follow the boundaries of contiguous political subdivisions, such as counties, cities, or towns. In this analysis, AA designations follow county boundaries.

Evergreen has two AAs that consist of three neighboring counties: Josephine, Curry, and Jackson Counties. Josephine and Curry Counties (Southern Oregon Non-MSA AA) are contiguous counties that are not part of a metropolitan area, and are analyzed together given similarities between them. Jackson County makes up the Medford, OR Metropolitan Statistical Area (MSA) AA. Both designated AAs meet regulatory

requirements and do not arbitrarily exclude low- and moderate-income (LMI) geographies or individuals.

Given the close and uninterrupted footprint of Evergreen's market area, both AAs experience similar effects from national and regional economic developments. The area has historically been dependent on the timber industry, but activity in this industry has dropped dramatically in recent years. Many prominent timber-related employers no longer operate in Evergreen's AAs, and this has contributed substantially to the elevated rate of unemployment among local residents.

In conjunction with this evaluation, we contacted a community service organization that focuses on helping residents achieve economic stability. This organization operates in both of the association's AAs. The contact indicated that unemployment rates remain higher than average in the local area, resulting in a need for jobs and community services for families in need, including affordable housing. Credit needs within each AA include affordable housing and business start-up or business expansion loans. The contact also indicated that low cost small-dollar loan options and youth financial education are opportunities for local financial institutions to benefit the local community.

Southern Oregon non-MSA AA

Evergreen's Southern Oregon non-MSA AA includes Josephine and Curry Counties. As of the 2010 Census, the population of this AA was 105,077. Josephine and Curry Counties combined contain only 2.7 percent of the population of Oregon.

The Housing and Urban Development (HUD) 2013 Weighted Average of Updated MSA Median Family Income for Curry and Josephine Counties was \$51,300. According to the 2010 Census, low- and moderate-income families make up 40.2 percent of the families residing in Josephine and Curry Counties; 12.5 percent of families (and more broadly, 17.0 percent of households) in these counties had incomes below the poverty level.

According to the Bureau of Labor Statistics (BLS), the 2013 average annual unemployment rate for Josephine County was 10.9 percent and was 47 percent higher than the national average (7.4 percent) and 42 percent higher than Oregon's average unemployment rate (7.7 percent) for the same period. The BLS also shows that the 2013 average annual unemployment rate for Curry County was 10.6 percent, 43 percent higher than the 2013 national average and 38 percent higher than Oregon's 2013 average unemployment rate.

The 2010 U.S. Census shows the Weighted Average of Median Housing price is \$257,894 in Evergreen's Southern Oregon non-MSA AA. This is an increase of 133 percent from \$110,597 in the 2000 U.S. Census data. Demographic information reflects that the median home value is approximately five times the median family income. High housing costs represent a barrier to homeownership for many low- and moderate-income families living in this AA, especially given higher levels of unemployment and poverty in the area.

Census demographic data from 2010 reflects that Josephine County has sixteen census tracts (CTs). Josephine County has no low-income tracts, one moderate-income tract, fifteen middle-income tracts, and no upper-income tracts. In 2013, fifteen of the sixteen CTs in Josephine County were designated as distressed middle-income nonmetropolitan tracts due to the poverty rate of 20 percent or more in those tracts. Favorable CRA consideration is given to lending activity in distressed middle-income tracts. Data reflects that Curry County has seven CTs, comprised of four middle-income tracts, two upper-income tracts, and one tract with insufficient income information to categorize its income level. Curry County had no low- or moderate-income CTs.

According to Moody's Analytics (Moody's), retirees are a major economic driver in southern Oregon, including Evergreen's AAs. U.S. Census Bureau data shows that a significant proportion of the population in Josephine and Curry Counties (24 percent and 30 percent, respectively) is comprised of persons 65 and over. Moody's also states that agriculture is a significant industry in the area. Wages in the agricultural industry are generally lower than wages paid in many other industries such as healthcare or information technology.

The table on the following page provides additional information about the demographics of Evergreen's Southern Oregon non-MSA AA. The unemployment rate in the table below differs from the BLS rates noted above, because the information was derived from a different source: the U.S. Census Bureau, 2011-2013 American Community Survey (ACS), 3-year estimates.

Demographic Information for Full Scope Area: Southern OR Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	22	0.00	4.55	77.27	13.64	4.55
Population by Geography	105,077	0.00	7.94	76.46	15.60	0.00
Owner-Occupied Housing by Geography	30,984	0.00	7.80	74.81	17.38	0.00
Business by Geography	8,937	0.00	6.50	79.15	14.34	0.00
Farms by Geography	472	0.00	12.50	75.42	12.08	0.00
Family Distribution by Income Level	28,982	20.80	17.60	21.10	40.50	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,129	0.00	9.92	76.00	14.08	0.00
Median Family Income		50,188	Median Housing Value	257,894		
HUD Adjusted Median Family Income for 2014		52,431	Unemployment Rate (US Census: 3-year ACS)	14.6% Josephine Cty 18.5% Curry Cty		
Households Below Poverty Level		17%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census, American Community Survey data, and 2014 HUD updated MFI

The FDIC Deposit Market Share Report dated June 30, 2014 shows that 11 financial institutions operated 36 branches within Evergreen’s Southern Oregon non-MSA AA. Evergreen operates four branches in its Southern Oregon non-MSA AA, and had a 17.6 percent deposit market share as of June 30, 2014. The FDIC report shows that only one financial institution in this AA had a higher deposit market share, a much larger regional bank that operates 11 branches in the area. Evergreen did not close any branches in this AA during the evaluation period.

Evergreen faces strong competition for lending activity in this AA. In 2013, Evergreen ranked second for loan market share out of 188 lenders originating residential mortgage loans in this AA, and had a market share of 6.7 percent of the number of mortgage loans granted within this area. Wells Fargo holds the most market share in this AA, with 12.9 percent of all mortgage loans originated or purchased. Competitors for market share in this AA include other large banks, credit unions, and other financial services companies, such as Bank of America, JP Morgan Chase, South Pacific Financial Corporation, and Quicken Loans.

Medford MSA Assessment Area

Evergreen also serves Jackson County, Oregon as an AA. Jackson County makes up the Medford MSA and borders Evergreen's Southern Oregon non-MSA AA. As of the 2010 Census, the population of this AA was 203,206, or 5.3 percent of the population of Oregon.

The HUD 2013 Weighted Average of Updated MSA Median Family Income for Jackson County was \$52,200. According to the 2010 Census, LMI families make up 38.6 percent of the families residing in Jackson County; 9.9 percent of families (and more broadly, 13.3 percent of households) in Jackson County have incomes below the poverty level. According to the BLS, the 2013 average annual unemployment rate for this assessment area was 9.5 percent, 28 percent higher than the national unemployment rate and 23 percent higher than the state of Oregon's unemployment rate for the same period.

The 2010 U.S. Census shows the Weighted Average of Median Housing price is \$286,042 in Jackson County, an increase of 112 percent from \$135,081 in the 2000 U.S. Census data. Demographic information in the table below indicates that the median housing value is approximately five times the median family income. High housing costs represent a barrier to homeownership for low and moderate-income families living in this AA.

According to Moody's data, retirees are a major economic driver in the Medford MSA area. U.S. Census Bureau data for 2013 shows that 19.5 percent of persons living in Jackson County are age 65 and over. Moody's also states that agriculture is a significant industry in the area. Wages in the agricultural industry are generally lower than wages paid in many other industries such as healthcare or information technology.

The table on the following page provides additional information about the demographics of Evergreen's Medford MSA AA. The unemployment rate in the table below differs from the BLS rates noted above, because the information was derived from a different source: the U.S. Census Bureau, 2011-2013 American Community Survey (ACS), 3-year estimates.

Demographic Information for Full Scope Area: Medford MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	41	2.44	14.63	63.41	19.51	0.00
Population by Geography	203,206	0.88	11.86	69.85	17.41	0.00
Owner-Occupied Housing by Geography	52,782	0.22	7.54	71.50	20.74	0.00
Business by Geography	20,577	5.31	10.09	67.07	17.53	0.00
Farms by Geography	967	1.96	5.58	75.80	16.65	0.00
Family Distribution by Income Level	53,903	19.75	18.89	20.55	40.81	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	20,830	1.40	14.66	71.37	12.57	0.00
Median Family Income		53,739	Median Housing Value	286,042		
HUD Adjusted Median Family Income for 2014		50,500	Unemployment Rate (US Census: 3-year ACS)	13.0%		
Households Below Poverty Level		13%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census, American Community Survey, and 2014 HUD updated MFI

The June 30, 2014 FDIC report also shows that in the Medford MSA AA, 12 financial institutions operate 72 branches. Evergreen operates just two branches in the Medford MSA, and had a 2.1 percent deposit market share in the MSA. The association has not closed or opened any branches in this AA since 2011.

Evergreen faces strong lending competition in the Medford MSA AA, and is not a significant lender in this AA. In 2013, Evergreen ranked 24 out of 244 lenders originating or purchasing residential mortgage loans in the Medford MSA, and maintained a market share of just 1.0 percent of the number of home loans granted in this area. Competition includes large national banks, credit unions, mortgage companies, and other financial institutions.

Conclusions with Respect to Performance Tests

LENDING TEST – Satisfactory

Evergreen’s performance under the Lending Test is satisfactory. We considered performance under each component of the Lending Test to be at least reasonable for each AA. The following sections present quantitative and qualitative data used in evaluating Lending Test performance.

Loan-to-Deposit Ratio

Evergreen's average quarterly loan-to-deposit ratio (LTD) meets the standard for satisfactory performance, and demonstrates the association's willingness to lend in its AAs. The association's LTD ratio is reasonable given its size, mutual charter, customer base, location, and the nature of its loan competitors, which includes very large national banks and large regional banks. For the thirteen quarters that comprise the evaluation period, Evergreen's average quarterly LTD ratio was 70.7 percent. This ratio does not include loans that Evergreen sold on the secondary market during this period. Including the loans that Evergreen sold during the evaluation period, the average quarterly LTD ratio increased slightly to 71.9 percent.

Data indicates that Evergreen's lending performance is in line with both similarly situated financial institutions within Oregon, and direct competitors operating in their AAs. When comparing the association to four similarly situated financial institutions operating within Oregon, data reflects an average LTD ratio of 78.5 percent with a low ratio of 54.4 percent and a high ratio of 89.1 percent. Similarly situated institutions have a similar asset size and number of branches. Of the eleven other financial institutions operating in this AA during the evaluation period, the average quarterly LTD ratio was 74.8 percent, the highest ratio was 86.3 percent, and the lowest ratio was 47.8 percent. Direct competitors are comprised primarily of very large nationwide or regional financial institutions.

Lending in Assessment Area

The association's lending inside its combined AAs exceeds the standard for satisfactory performance. The association originated 728 HMDA loans during the review period. In our calculations, we also included an initial sample of 20 business loans originated by Evergreen during the evaluation period. A substantial majority of these loans, both by number and by total dollar amount, were within the association's AAs.

The table below illustrates the association's lending concentrations overall and by loan product.

Assessment Area Concentration						
Lending Reported between 1/1/12 – 12/31/13						
	Number of Loans			Dollar Amount (\$000s)		
Review Period	AA Lending	Total Lending	Ratio of AA to Total	AA Lending	Total Lending	Ratio of AA to Total
Combined Lending	728	748	97.3	136,983	140,764	97.3
Residential (HMDA)	711	728	97.7	128,551	131,097	98.1
Business	17	20	85.0	8,432	9,667	87.2

Source: HMDA LARs, OCC business loan sample

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

The overall lending performance to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance. Performance data reflects reasonable penetration for both home loans and business loans in both AAs.

Residential Lending

Evergreen's residential mortgage lending to low- and moderate-income borrowers meets the standard for satisfactory performance. The association's performance is reasonable given higher than average unemployment rates, above average poverty levels, and high median housing values impacting the association's AAs. Large nationwide and regional financial institutions in the area also present significant competition for home loans.

Southern Oregon Non-MSA AA

Southern Oregon Non-MSA AA						
Income Level	Demographics	Evergreen AA Lending**		2013 HMDA* Aggregate % of the #	2013 Peer Mtg Data*	
	% Families*	# of Loans	% of the #		Rank	Mkt Share
Low	20.8	15	2.7	6.2		
Moderate	17.6	57	10.3	15.4		
Low & Moderate	38.4	72	13.0	21.6		
Middle	21.1	88	15.9	21.7		
Upper	40.5	298	53.8	44.6		
NA	0.0	96	17.3	12.1		
Total	100.0	554	100.0	100.0	2 of 188	6.7

* Source: 2010 U.S. Census/Census data

**Source: HMDA LAR Data (January 1, 2012 through December 31, 2013)

The distribution of residential mortgage lending in the Southern Oregon Non-MSA AA is reasonable given performance context factors. Lending to low-income borrowers is below the demographic and HMDA aggregate comparators. Lending to moderate-income borrowers is within a reasonable range compared to the demographic and HMDA aggregate comparators. We also considered factors related to employment, income, housing affordability, and competition in our conclusions.

Medford MSA AA

Medford MSA AA						
Income Level	Demographics	Evergreen AA Lending**		2013 HMDA*	2013 Peer Mtg Data*	
	% Families*	# of Loans	% of the #	Aggregate % of the #	Rank	Mkt Share
Low	19.7	9	5.7	4.5		
Moderate	18.9	14	8.9	13.3		
Low & Moderate	38.6	23	14.6	17.8		
Middle	20.6	28	17.8	21.6		
Upper	40.8	76	48.4	48.1		
NA	0.0	30	19.1	12.5		
Total	100.0	157	100.0	100.0	24 of 244	1.0

* Source: 2010 U.S. Census/Census data

**Source: HMDA LAR Data (January 1, 2012 through December 31, 2013)

The distribution of residential mortgage lending in the Medford MSA AA is reasonable, especially given performance context factors. Lending to low-income borrowers is significantly lower than the demographic comparator, but is similar to the HMDA aggregate comparator. Lending to moderate-income borrowers is lower than the demographic comparator, but within a reasonable range of the HMDA aggregate comparator. More weight was given to the aggregate comparator over the demographic comparator in our analysis. We also considered factors related to employment, income, housing affordability, and competition in our conclusions.

Small Business Lending

Evergreen’s lending to businesses with less than \$1 million in revenues (small businesses) is reasonable, and meets the standard for satisfactory performance in both AAs.

Southern Oregon Non-MSA AA

Southern Oregon Non-MSA AA					
Revenue Category	Demographics % Businesses	Evergreen AA Loans			2013 SmBus % of the #
		# of Loans	% of the #	\$ (000's)	
Revenue <= \$1.0 million	77.1	13	65.0	6,427	50.2
Total Small Biz Loan Sample	100.0	20	100.0	10,292	

Source: 2013 Business Geodemographic Data; OCC Loan Sample; Peer Small Business Data for US and PR

The association’s distribution of loans among businesses of different sizes is reasonable in the Southern Oregon non-MSA AA. The percentage of business loans made to small businesses is within a reasonable range compared to demographic and aggregate small business comparators. Of the loans originated to small businesses in the Southern Oregon non-MSA AA, 50 percent of these loans had principal amounts of \$250 thousand or less. By providing smaller dollar business loans, the association is promoting small business activity in its AAs. These factors help demonstrate the association’s willingness to make business credit accessible for small businesses.

Medford MSA AA

Medford MSA AA					
Revenue Category	Demographics % Businesses	Evergreen AA Loans			2013 SmBus % of the #
		# of Loans	% of the #	\$ (000's)	
Revenue <= \$1.0 million	75.2	10	50.0	6,398	49.2
Total Small Business Loans	100.0	20	100.0	17,208	

Source: 2013 Business Geodemographic Data; OCC Loan Sample; Peer Small Business Data for US and PR

The association’s distribution of loans among businesses of different sizes is reasonable in the Medford MSA AA. The percentage of business loans made to small businesses is within a reasonable range compared to demographic and aggregate small business comparators. Of the loans originated to small businesses in its Medford MSA AA, 40 percent had principal amounts of \$250 thousand or less. By providing smaller dollar business loans, the association is promoting small business activity in its AAs. These factors help demonstrate the association’s willingness to make business credit accessible for small businesses.

Geographic Distribution of Loans

The overall performance for geographic distribution of loans meets the standard for satisfactory performance. The geographic distribution for residential home loans and loans to small businesses reflects reasonable dispersion in low- and moderate-income tracts within Evergreen’s AAs. We did not identify any unexplained gaps; the

association’s AA consists of whole geographies, meets the requirements of the CRA regulation, and does not arbitrarily exclude any low- and moderate-income areas.

Residential Lending

Evergreen's residential mortgage lending within low- and moderate-income census tracts is reasonable, and meets the standard for satisfactory performance in the association’s AAs.

Southern Oregon Non-MSA AA

Southern Oregon Non-MSA AA						
Income Level	Demographics % Tracts	Evergreen AA Lending		2013 HMDA	2013	
		# of Loans	% of the #	Aggregate % of the #	Rank	Mkt Share
Low	0.0	0	0.0	0.0		
Moderate	4.6	10	1.8	4.7		
Low & Moderate	4.6	10	1.8	4.7		
Middle	81.8	524	94.6	85.1		
Upper	9.1	20	3.6	10.3		
NA	4.5	0	0.0	0.0		
Total	100.0	554	100.0	100.0	2 of 188	6.7

Source: 2010 U.S. Census/Census Data; HMDA LAR Data (2012 and 2013)

The dispersion of lending in the Southern Oregon non-MSA AA is reasonable given performance context factors. An analysis of lending in low-income geographies is not meaningful since there were no low-income tracts in this AA. Only 1.8 percent of Evergreen’s home loan originations were located inside moderate-income census tracts, which is below the demographic and HMDA aggregate comparators. U.S. Census data shows that this AA had only one moderate-income census tract; most lending occurred in middle-income tracts. In 2013, fifteen of the census tracts in the Southern Oregon non-MSA AA (68 percent) were designated as “distressed middle-income nonmetropolitan census tracts” (distressed census tract). This designation is a result of poverty rates within most of Josephine County, and so lending in these tracts merits positive CRA consideration. Furthermore, Census data shows that over 80 percent of LMI families in this AA live in middle-income census tracts. We considered these mitigating factors in our conclusions.

Medford MSA AA

Medford MSA AA						
Income Level	Demographics % Tracts	Evergreen AA Lending		2013 HMDA Aggregate % of the #	2013	
		# of Loans	% of the #		Rank	Mkt Share
Low	2.5	2	1.3	0.3		
Moderate	14.6	6	3.8	7.0		
Low & Moderate	17.1	8	5.1	7.3		
Middle	63.4	120	76.4	69.4		
Upper	19.5	29	18.5	23.3		
NA	0.0	0	0.0	0.0		
Total	100.0	157	100.0	100.0	24 of 244	1.0

Source: 2013 Business Geodemographic Data; OCC Sample of Association Small Business Loans

The dispersion of lending in low- and moderate-income geographies in the Medford MSA AA is reasonable given performance context factors. Lending performance in low-income tracts falls within a reasonable range in comparison to demographic and HMDA aggregate comparators. Lending performance in moderate-income tracts is significantly below the demographic comparator, but within a reasonable range of the HMDA aggregate comparator. We gave greater weight to the HMDA aggregate comparator over the demographic comparator. In addition, this performance is reasonable given Evergreen’s limited presence in this AA relative to the level of banking competition.

Small Business Lending

Evergreen’s lending to businesses within low- or moderate-income census tracts meets the standard for satisfactory performance in both AAs.

Southern Oregon Non-MSA AA

Southern Oregon Non-MSA AA					
Tract Income Level	Demographics % Businesses	Evergreen Business Loans			2013 SmBus % of the #
		# of Loans	% of the #	\$ (000's)	
Low	0.0	0	0.0	0	0.0
Moderate	6.4	0	0.0	0	4.1
Low & Moderate	6.4	0	0.0	0	4.1
Middle	84.6	18	77.8	8,012	88.9
Upper	9.0	2	22.2	2,280	7.1
NA	0.0	0	0.0	0	0
Total	100.0	20	100.0	10,292	100.0

Source: 2013 Business Geodemographic Data; OCC Sample of Association Small Business Loans

The association’s lending to businesses within moderate-income census tracts is reasonable given performance context factors. An analysis of lending in low-income tracts is not meaningful since there were no low-income tracts in the AA. Only one census tract within the AA was in a moderate-income tract, and no loans within our sample were made to businesses located in that tract. However, Evergreen originated sixteen loans (80 percent) in middle-income census tracts; 83 percent of middle-income tracts were distressed in 2013, which merits positive consideration under CRA. In addition, we considered the significant level of lending competition in this AA in our analysis.

Medford MSA AA

Medford MSA AA					
Tract Income Level	Demographics	Evergreen Business Loans			2013 SmBus
	% Businesses	# of Loans	% of the #	\$ (000's)	% of the #
Low	4.6	0	0.0	0	5.3
Moderate	9.5	4	20.0	2,409	7.9
Low & Moderate	14.1	4	20.0	2,409	13.2
Middle	67.3	13	65.0	11,082	66.5
Upper	18.6	3	15.0	3,718	20.4
NA	0.0	0	0.0	0	0.0
Total	100.0	20	100.0	17,208	100.0

Source: 2013 Business Geodemographic Data; OCC Sample of Association Small Business Loans

The dispersion of lending to businesses within low- and moderate-income census tracts in the Medford MSA AA is reasonable overall. Only one census tract within the AA was in a low-income tract, and no loans within our sample were made to businesses located in that tract. However, lending to businesses within moderate-income tracts was excellent, as bank performance significantly exceeded both the demographic and small business aggregate comparators. The performance in moderate-income tracts mitigates the performance in the low-income tract.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST – Outstanding

A qualifying community development (CD) loan, investment, or service has community development as its primary purpose. The CRA regulation defines community

development as follows:

- 1) The provision of affordable housing for low- and moderate-income individuals;
- 2) Community services targeted to low- and moderate-income individuals;
- 3) Activities that promote economic development by financing small businesses or small farms; or
- 4) Activities that revitalize and stabilize low- and moderate-income geographies.

Evergreen's responsiveness to community needs through community development lending, investments, and services is outstanding. During the evaluation period, Evergreen demonstrated an outstanding level of qualifying CD loans, investments, and services in its combined AAs.

Number and Amount of Community Development Loans

Evergreen's community development lending reflects overall excellent responsiveness to the needs within its AAs during the evaluation period. Greater weight was placed on performance within the Southern Oregon non-MSA AA, given the association's much greater presence in that AA. The bank originated 35 CD loans in their AAs totaling \$15.5 million, and 3 CD loans in a broader regional area totaling \$3.7 million; these loans provided affordable housing, community development services for low- and moderate-income individuals, job creation and retention for LMI individuals, and revitalization and/or stabilization projects in LMI geographies or distressed census tracts.

Southern Oregon Non-MSA AA

Evergreen originated \$13.9 million in qualifying CD loans in the Southern Oregon non-MSA AA, and some examples are detailed below.

- A loan totaling \$4.0 million with favorable terms for the construction of kindergarten classrooms at a local school with a high percentage of low-income students located in a distressed area.
- Two loans totaling \$3.5 million to a local CD organization specializing in providing mental health services to LMI persons.
- A loan totaling \$2.4 million to a non-profit CD organization for the construction of a new facility that will provide mental health services targeted towards LMI youth and residents of the local area.
- A \$1.1 million loan with favorable terms and interest rate to a mental health organization that provides CD services and services providing for basic human needs for LMI residents in the local area.
- A loan for \$800 thousand for the construction of suitable shop areas for small

manufacturing businesses in distressed census tracts.

- Two loans totaling \$285 thousand to finance the purchase and startup costs to bring a medical transportation services company to the local distressed area, a service that was previously lacking.
- A loan for \$240 thousand to finance renovations to a building occupied by a healthcare service provider that serves low-income persons in the area.
- A loan for \$240 thousand to a local CD organization that provides mental health and other basic human needs to LMI persons living in the AA.
- Loan of \$560 thousand to a medium-sized agriculture firm for the purchase of land to be used for expansion of the company's operations into the local area, creating new, stable jobs.
- Business loan for \$140 thousand to a medical practitioner to attract them into the area. The distressed economic conditions of the area make it difficult to attract and retain medical professionals.
- Loans totaling \$40 thousand to support the operations of a local community development organization that provides crisis support for women who have been the victims of domestic violence.
- Evergreen also originated several CD loans for the purpose of renovating buildings in the distressed downtown area of Grants Pass, Oregon. These renovations developed the run-down, and sometimes unsafe, properties into attractive properties local businesses now occupy, thereby helping to revitalize the area.
- The association also originated several loans that helped retain or attract new jobs by financing the purchase of entire businesses that were about to shut down, and for the purchase of new equipment by new businesses opening up or by existing businesses expanding operations in the area.

Medford MSA AA

Evergreen originated \$1.6 million in qualifying CD loans in the Medford MSA AA.

- A loan for \$700 thousand for renovation of a dilapidated building in a downtown area that helped revitalize the AA.
- Nine loans totaling \$860 thousand to local CD organizations that provides mental health and other basic human needs to LMI persons living in this AA.

Broader Statewide or Regional Area

Evergreen also originated additional CD loans totaling \$3.7 million that were outside their AAs, which benefitted the broader statewide area. These loans provided mental health and other basic human needs to needy persons, and helped retain or attract new jobs in the area. These loans were given positive consideration.

Number and Amount of Qualified Investments

Evergreen's CD investments reflect adequate responsiveness to the needs within its AAs. Investments are comprised entirely of donations to various CD organizations. Evergreen made CD donations totaling \$500,842 to over 32 qualifying organizations within its AAs. Most donations were made within the Southern Oregon non-MSA AA, which is the association's primary market; more weight was given to this AA given Evergreen's more significant presence here. The association made only one donation in the Medford MSA AA.

The community development organizations supported by Evergreen provide the following services:

- 1) Affordable housing for low- and moderate-income individuals,
- 2) Shelter for the homeless,
- 3) Daycare services for children of low-income families while parents are at work
- 4) Food bank services for low-income or homeless individuals,
- 5) Healthcare and mental health services for at-risk youth and families,
- 6) Youth services, including alternative education opportunities and scholarships for underserved and at-risk children and young adults, and
- 7) Services to promote business and economic development.

The table on the following page provides examples of the largest of these investments.

Significant Qualified Donations		
Organization	Grant Amount	Mission/Purpose of the Organization or Donation
Hidden Valley High School	\$216,000	Donation for construction of community facility in an economically distressed geography
Habitat for Humanity	\$94,500	Low- and moderate-income housing
Gospel Rescue Mission	\$49,373	Providing food, shelter and basic human services to low-income homeless
Boys and Girls Club	\$41,700	Daycare services to children of low-income families
Josephine County Food Bank	\$35,000	Provide food for low- and moderate-income persons
Hidden Valley High School	\$13,200	Donation for purchase of school equipment and supplies for very low-income students in economically distressed geographies
Rogue Winterfest	\$10,550	Donations to community development organizations providing mental health and behavioral services to at-risk youth and families in economically distressed geographies
College Dreams	\$6,000	Youth development, college preparation, and scholarships for disadvantaged and at-risk students
Women's Crisis Support Team	\$5,435	Services to women who are the victims of domestic abuse

Source: Association records

Extent to Which the Bank Provides Community Development Services

Retail Services

The distribution of Evergreen’s branches and service delivery systems are accessible to individuals of different income levels within both AAs. The bank has six full-service locations that have ATMs. Two branches are located in middle-income tracts in Grants Pass that were considered distressed in 2013. The Cave Junction and Medford branches are in moderate-income tracts. Branch hours are convenient to individuals. The association also offers 24-hour internet banking services, and offers some financial services via telephone banking.

Community Development Services

The association’s level of community development services is excellent in the Southern Oregon non-MSA AA and adequate in the Medford MSA AA. Evergreen employees were involved in numerous volunteer services and activities. Of over 2,350 community service volunteer hours that were recorded by Evergreen’s management and staff,

1,073 volunteer hours to 18 organizations qualified as CRA community development service for the association. Approximately 90 percent of qualifying volunteer hours were made in the Southern Oregon non-MSA AA, and the remainder in the Medford MSA AA. A sample of activities performed by bank personnel includes the following types of service:

- 1) Board membership,
- 2) Marketing advisory services,
- 3) Fundraising,
- 4) Accounting services, and
- 5) Administrative/managerial services.

Specific examples of Evergreen's CD services include the following:

- A member of Evergreen's executive management has served as both a board member of the Gospel Rescue Mission, and as the president of the Gospel Rescue Mission Foundation, which provides needed services to low- and moderate-income individuals and families.
- Evergreen's President is helping to establish the Grants Pass Sobering Center, an organization that will seek to provide for the safety of individuals under significant impairment from drugs or alcohol. Grants Pass Sobering Center will provide information to low- and moderate-income clients regarding other community development organizations in the community that may be able to assist them in obtaining treatment for drug or alcohol problems, and other health services options accessible to low- and moderate-income persons. This organization is close to opening its doors.
- A member of executive management has served on the board of directors of the Gospel Rescue Mission Foundation
- A member of executive management has served on the board of Reaching Our Community Food Pantry.
- Two Evergreen representatives have served on the board of Southern Oregon Economic Development, Inc., an economic development corporation.
- An Evergreen representative has served as the vice president of a local Habitat for Humanity, and on a separate occasion, as the president.
- An Evergreen representative has served as a board member for the Illinois Valley CDO Micro Business Revolving Loan Fund.
- An Evergreen representative has served on the boards of Josephine County Food Bank, ASANTE, and Josephine County Libraries; all of these organizations provide needed services to LMI individuals.
- The President, bank officers, and other staff provide assistance in various capacities (fundraising, managerial, marketing advisory, and administrative) to a

significant number of qualifying organizations and entities, including the Boys and Girls Club of the Rogue Valley, Kairos, Southern Oregon Options, Women's Crisis Support Team, Grants Pass Sobering Center, and Food and Friends, among others.

- Evergreen owns office and warehouse space, known as the Bear Hotel. Evergreen makes this facility available to non-profit organizations in local communities for various events and meetings, at no expense to the organizations. The Bear Hotel is in frequent use by a wide variety of non-profit organizations within the community, whether they qualify as community development organizations or not. By making this facility available free of charge to local non-profit organizations, Evergreen is demonstrating its commitment for improving the economic, social, and educational well-being of its entire community.

Responsiveness to Community Development Needs

Evergreen's community development lending, investment, and service activities demonstrate excellent responsiveness to needs within its AAs, which include community services for needy families, and provision of products and services that facilitate job creation and retention. We evaluated both the association's retail banking products and services and its community development activities in forming our conclusions.

Evergreen donated funds or participated in many significant activities during the review period that were designed to accomplish the following:

- 1) Create value for the bank by developing and promoting community events;
- 2) Promote tourism within its combined AAs;
- 3) Provide an engaging, lively, and participatory community;
- 4) Increase the economic viability of core downtown businesses;
- 5) Support local non-profits that provide services to those community members in need; and
- 6) Obtain and provide financial support, through its activities/events, to the members of its community.

While not all of these activities meet the strict definition of "community development," they nonetheless merit mention.

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 national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC

considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area 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.