



## PUBLIC DISCLOSURE

April 4, 2016

### 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.**

The major factors supporting the institution's rating include the following:

- Pioneer Trust Bank N.A.'s (PTB) loan-to-deposit (LTD) ratio is reasonable.
- A majority of PTB's loan originations during the evaluation period are within the bank's assessment area (AA).
- The distribution of loans to businesses of different sizes is reasonable.
- The geographic distribution of business loans reflects reasonable dispersion throughout the AA.
- PTB's responsiveness through community development (CD) lending, investments, and services is adequate.
- There have been no consumer complaints regarding PTB's Community Reinvestment Act (CRA) performance during the evaluation period.

## **Scope of Examination**

We evaluated Pioneer Trust Bank N.A.'s (PTB) CRA performance using Intermediate Small Bank examination procedures, which include a lending test and a CD test. The evaluation period was July 16, 2014 through April 4, 2016. Through the lending test, we evaluated the bank's record of meeting the credit needs of its AA through its lending activities. Through the CD test, we evaluated the bank's responsiveness to CD needs in its AA through qualifying lending, investment, and service activities.

The CD test covered the entire evaluation period. We reviewed CD loans, qualified investments, and CD services submitted by management for consideration to verify that they met the regulatory definition for community development.

In evaluating the bank's lending performance, we reviewed a sample of the bank's primary loan product, originated during the period of January 1, 2014 through March 31, 2016 (loan sampling period). For purposes of this evaluation, the bank's primary loan product was business loans. This product represented 73.2 percent by number, and 80.7 percent by dollar amount, of loans originated by the bank during the evaluation period.

<b>Loan Types Originated - Evaluation Period</b>	<b>% by Dollars of Loans</b>	<b>% by Number of Loans</b>
<b>Business Loans</b>	<b>81%</b>	<b>73%</b>
Residential Real Estate Loans	15%	18%
Consumer Loans	2%	7%
Farm Loans	2%	2%
Total	100%	100%

Source: Bank Loan Records

## Description of Institution

Pioneer Trust Bank, N.A. (PTB) is a local community bank operating in Salem, Oregon. The bank is 100 percent owned by PTB Corporation, a one-bank holding company headquartered in Salem, Oregon. As of March 31, 2016, PTB reported total assets of \$424 million, with net loans representing 67 percent of total assets. The bank’s primary lending strategy is focused on business lending. The composition of PTB’s loan portfolio as of March 31, 2016 is shown in the table below:

<b>Loan Type</b>	<b>% of Loan Portfolio as of 3/31/16 (by \$ Amount)</b>
Business Loans	76%
Residential Loans	15%
Consumer Loans	7%
Farmland and Agricultural Loans	2%
Total	100%

Source: FDIC March 31, 2016 Call Report

There were no acquisition or merger activities during the evaluation period., and the bank has no affiliates or subsidiaries. PTB does not have any financial or legal impediments that prevent it from meeting the credit needs of the AA. The prior CRA Performance Evaluation dated July 15, 2013 resulted in a “Satisfactory” rating.

## Description of Assessment Area

PTB’s AA is located in the Salem MSA, and includes the city of Salem, Oregon and those communities located in close proximity to Salem. The AA consists of 45 census tracts that are located in Marion and Polk counties. There are no low-income census tracts in the AA, and there are no low- or moderate-income census tracts bordering the bank’s AA. The AA consists of 12 moderate-income census tracts, 25 middle-income census tracts, and 12 upper-income census tracts. PTB has two branches located in Marion County, one of which is close to the Polk County line. A portion of Polk County is included in the AA given the proximity of the bank’s branches to the county; however, the rural sections of both counties are excluded because the bank cannot reasonably serve them, and there is limited business loan opportunity. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Competition from other financial institutions is strong. According to the FDIC Insured Institutions Deposit Market Share Report, 14 financial institutions have a presence in the AA, with 93 offices throughout Marion and Polk counties. FDIC market share data as of June 30, 2015 indicates PTB's deposits in Marion and Polk counties total \$338 million, which equates to a 7 percent market share. Primary competitors for deposit market share in PTB's AA include Wells Fargo Bank, N.A. with 19 percent market share; U.S. Bank N.A. with 18 percent market share; Columbia State Bank with 14 percent market share; JPMorgan Chase Bank, N.A. with 11 percent market share; and Umpqua Bank with 8 percent market share.

According to 2010 U.S. Census data, the population of the PTB's AA is 253,138. Approximately 20 percent of families in the AA are classified as low-income; 19 percent of families as moderate-income; 21 percent of families as middle-income; and 40 percent as upper income. The 2010 U.S. Census data also shows that 14 percent of all families in PTB's AA live below the poverty level. The median family income (MFI) for the area was \$55,800 in 2015, and the median price for a house was \$211,142. According to 2010 U.S. Census data, 57 percent of residential properties in the AA are owner-occupied units, 38 percent of residential properties are rental units, and 5 percent of residential properties are vacant. In addition, 76 percent of homes are single-family residences, 18 percent are multifamily residences, and 6 percent are mobile homes.

Business demographic data for 2015 shows 18,704 non-farm businesses in the AA, of which 14,618 (78 percent) have gross annual revenues of \$1 million or less, 739 (4 percent) have gross annual revenues over \$1 million, and 3,347 (18 percent) did not report revenues. Although the substantial majority of non-farm businesses were small businesses that had revenues of \$1 million or less, 94.5 percent of these small businesses had gross revenues of \$500 thousand or less, and 79 percent had four or fewer employees. Small businesses of this size are less likely to use traditional bank credit to fund their operations, often relying on credit cards to supplement cash flow.

According to 2010 U.S. Census data, the unemployment rate in the Salem area was 4.73 percent. Salem is the state capital of Oregon, and state government is a major employer in the area. Moody's Analytics (Moody's) indicates that employment and economic factors associated with being the state capital are, in addition to the agriculture industry, primary drivers of the local economy. Moody's also reports that employment is growing faster in the Salem area than the national average, and that industries contributing substantially to recent job growth are healthcare and professional services. According to Moody's, the benefit of Salem's proximity to the much larger city of Portland, Oregon is countered by the out-migration of local residents from the Salem area to Portland.

<b>Demographic Information for Pioneer Trust Bank Assessment Area</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	45	0.00	26.67	46.67	26.67	0.00
Population by Geography	253,138	0.00	28.14	43.70	28.16	0.00
Owner-Occupied Housing by Geography	55,842	0.00	16.24	46.53	37.24	0.00
Business by Geography	18,704	0.00	28.01	44.34	27.65	0.00
Farms by Geography	782	0.00	14.96	50.51	34.53	0.00
Family Distribution by Income Level	62,244	20.36	18.79	20.42	40.42	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	24,373	0.00	38.95	40.09	20.95	0.00
Median Family Income HUD Adjusted Median Family Income for 2015 Households Below Poverty Level		56,016 55,800 14%	Median Housing Value Unemployment Rate (2010 US Census)		211,142 4.73%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2015 HUD updated MFI

PTB is responsive to the needs of the communities it serves as identified through community contacts. A community contact was conducted at an interagency meeting with leaders and representatives from local community development organizations. The results of the community contact indicated that affordable housing is a significant need in the local area, including PTB’s AA. Economic opportunity through quality employment is also a need. Another significant need in the area is for basic life necessities, including housing, food, child care, health care, and transportation for the area’s increasing numbers of individuals and families who have no resources or means to obtain these things.

Opportunities for participation by local financial institutions mentioned by participants in the community contact include more lending to small businesses in non-metropolitan areas; increased local lender underwriting for community development loans; increased bank lending to nonprofit organizations and affordable housing developers; and technical assistance for small businesses.

Please refer to the bank’s CRA Public File for more information.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

PTB’s performance under the lending test is satisfactory. This assessment is based on the bank’s LTD ratio, lending in the AA, and distribution of loans to business loan borrowers.

**Loan-to-Deposit Ratio**

PTB’s LTD ratio is reasonable given the bank’s size, the AA needs, and comparison to other financial institutions in the area. Over the past 11 quarters since the last CRA examination, the bank’s quarterly LTD ratio averaged 73 percent and ranged from 69 percent to 79 percent. The quarterly average of four other financial institutions in the area over the same period ranged from a low of 71 percent to a high of 101 percent, with an average LTD ratio of 85 percent. Overall, PTB’s LTD ratio is comparable to the LTD ratios of other banks in the area, and is reasonable.

**Lending in Assessment Area**

The bank originates a majority of loans by number and dollar volume inside its AA. The aggregate percentage of business loans originated within the AA totals 75 percent by number and 79 percent by dollar volume. The following table illustrates the bank’s lending activity for business loans, the primary loan product, during the loan sampling period.

<b>Lending in Pioneer Trust Bank Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total \$ (000s)
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Business Loans	15	75.0%	5	25.0%	20	\$4,861	79.4%	\$1,259	20.6%	\$6,120
Totals	15	75.0%	5	25.0%	20	\$4,861	79.4%	\$1,259	20.6%	\$6,120

Source: Sample from Bank Loan Records

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

PTB’s lending to business of different sizes reflects reasonable penetration in the bank’s AA.

Small Business Lending

The bank’s lending to businesses of different sizes meets the standard for satisfactory performance in the AA and is reasonable. Lending to businesses with revenues of \$1 million or less represented 50.0 percent by number of loans, and 54.9 percent by dollar volume of the loans reviewed at this examination. According to 2015 Business Geodemographic Data, 94 percent of businesses in the bank’s AA with \$1 million or less in gross annual revenues employ four or fewer employees. Small businesses of this size may be less likely than larger businesses to use traditional bank credit to fund their operations, instead relying upon other sources of credit such as credit cards. Therefore, although the percentage of PTB’s business loans made to businesses with gross annual revenues of \$1 million or less is somewhat lower than the demographic within the AA for these businesses, PTB’s percentages are within a reasonably comparable range. The following table shows the bank’s borrower distribution for business loans.

<b>Borrower Distribution to Businesses in PTB Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	78.1%	4.0%	17.9%	100.0%
% of Bank Loans in AA by #	50.0%	50.0%	0.0%	100.0%
% of Bank Loans in AA by \$	54.9%	45.1%	0.0%	100.0%

Source: 2015 Business Geodemographic Data and Sample of Bank Loan Records

### Geographic Distribution of Loans

The percentage of the number of business loans originated by the bank in geographies of different income levels reflects a reasonable geographic dispersion that is comparable to the demographics of the bank’s AA, and generally meets the standard for satisfactory performance. The following table shows the bank’s distribution of business loans across geographies in the AA, based upon different tract income levels. The AA has no low-income census tracts, and so analysis is not applicable. PTB’s performance in moderate-income tracts is within a reasonable range above the demographic comparator.

<b>Geographic Distribution of Loans to Businesses in PTB Assessment Area</b>								
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	NA	NA	26.7%	35.0%	46.7%	25.0%	26.7%	40.0%

Source: 2015 Business Geodemographic Data and Sample of Bank Loan Records

### Responses to Complaints

PTB did not receive any CRA-related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

PTB's performance under the CD test demonstrates adequate responsiveness to the CD needs of its AA considering context, needs, and opportunities within the AA.

### **Number and Amount of Community Development Loans**

The bank's CD lending exhibits adequate responsiveness to the CD credit needs of LMI individuals in the bank's AA. The bank originated 13 qualifying CD loans to seven organizations in the bank's AA during the evaluation period, totaling \$3.2 million. Four CD loans totaling \$1.6 million benefitted four organizations, for the purpose of purchasing, constructing, or repairing affordable housing units, an identified need in the AA. Two qualifying loans totaling \$536 thousand were made for the purchase and rehabilitation of property and structures to expand one organization's operations, providing emergency and transitional shelter, food, clothing, and other basic human necessities to LMI individuals in the community.

The remainder of qualifying CD loans originated by the bank during the evaluation period benefitted organizations that provide emergency and transition shelter; basic human necessities such as food, clothing, and access to medical care; and job training and employment for LMI residents with disabilities.

### **Number and Amount of Qualified Investments**

PTB's CD investments demonstrate adequate responsiveness, and provide needed support to LMI individuals in the bank's AA. Management made numerous qualifying CD investments totaling \$182,219 to 17 organizations during the evaluation period. About half of these donations were provided in the form of interest paid on Interest on Lawyer Trust Accounts (IOLTA) in excess of current market interest rates. These funds were provided to a foundation whose purpose is to support free or reduced-cost legal services to low-income persons involving issues such as access to healthcare, affordable housing, domestic violence, employment, and income maintenance. Other areas supported by the foundation include helping the homeless with legal matters and government benefits, and providing education on legal rights and responsibilities in consumer credit. Other organizations benefitting from bank donations provide various services to LMI individuals, including shelter and services for the homeless, various medical services, the provision of food and clothing to LMI children, and a program that provides early literacy and parental support for low-income Spanish-speaking families.

## **Extent to Which the Bank Provides Community Development Services**

The bank's level of CD services demonstrates overall adequate responsiveness to the needs within its AA. We evaluated both the bank's retail banking services and CD services.

The distribution of the bank's branches and service delivery systems is adequate and accessible to individuals of different income levels within the AA. In addition to the main bank facility, PTB operates one branch offering various loan and deposit products. Both locations provide an automated teller machine (ATM), mobile banking, telephone banking, and online banking, including bill pay services.

The extent of the bank's CD services demonstrate adequate responsiveness to community development needs of the AA. Bank employees and senior management have volunteered 377 hours of their time and expertise in fulfilling leadership roles in organizations within the AA that address the needs of low- and moderate-income persons. Several examples follow:

- A member of senior management served as the President and as a Board member for a community development healthcare services and referral provider.
- A member of management served as Secretary to the Board for the Investment and Executive Committees of an organization that provides community development services to children in families with low- or moderate-incomes. He also provided technical expertise and assistance in accounting, financial reviews, and fundraising.
- A member of senior management served as Secretary of the Budget Committee for a local economic development organization.
- A member of senior management served as the Board Treasurer, as well as on the Grants Committee of a foundation that provides financial support to organizations that offer free or reduced-fee legal services for low- and moderate-income persons to resolve community development issues such as domestic violence, affordable housing, and income maintenance. The foundation also financially supports organizations that provide community development services such as assisting homeless persons with legal matters and obtaining a variety of government benefits, as well as providing education to low- and moderate-income persons on the legal responsibilities and rights involved with consumer credit.
- A representative from the bank also served as a mock interviewer for students at a local high school where a high percentage of students qualify for free- or reduced-cost lunches.

## **Responsiveness to Community Development Needs**

Overall, PTB's CD loans, investments, and services demonstrate adequate responsiveness to the community development needs and opportunities in its AA. PTB is one of the primary lenders and depository banks in the area, offering loan and deposit

products and services that meet the needs of all individuals and geographies in the AA, regardless of income levels. Additionally, PTB officers are actively involved in leadership roles of other community organizations that may not meet the CRA criteria for “community development”, but still contribute substantially to fulfill the community development needs of all local residents, for the betterment of the community in which the bank operates.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), or 12 CFR 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.