



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

July 16, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Baker Boyer National Bank
Charter Number 3956**

**Second and Main Street
Walla Walla, Washington 99362**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Baker Boyer National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 16, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- The loan-to-deposit ratio is reasonable.
- A majority of loans are in the bank’s assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- Distribution of lending reflects good penetration among individuals of different income levels and businesses of different sizes.
- There were no complaints about the bank’s CRA performance from the public.

DESCRIPTION OF INSTITUTION:

Baker Boyer National Bank is a \$252 million community bank located in southeastern Washington. The bank's main office, three branches, and three automated teller machines are located in the city of Walla Walla. Baker Boyer was founded in 1869 and is the oldest bank in the State of Washington. The bank is wholly-owned by Baker Boyer Bancorp.

The bank is a full service bank offering loans, deposit accounts, and trust services. As of March 31, 1997, loans represented 62% of total assets and 70% of deposits. Commercial loans comprised 31% of the loans originated during 1996, consumer 58%, and real estate 11%. The branch locations are well positioned within the city. The bank offers all products at each branch. There are no financial or legal impediments that affect Baker Boyer's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area consists of the entire county of Walla Walla. The county is primarily rural and heavily farmed. According to the State of Washington, Office of Financial Management, the 1996 population of Walla Walla was 53,400. Two-thirds of that population resides in or around the city of Walla Walla which is located at the southern edge of the county. Population growth has been slow, averaging less than 1% per annum over the past few years.

The area consists of ten block numbering areas (BNAs). According to 1990 U.S. Census data, the county has one low-income BNA and one moderate-income BNA. The U.S. Department of Housing and Urban Development estimated the 1996 statewide non-metropolitan median family income for Washington to be \$33,600 and the 1997 at \$35,100.

The local economy is supported primarily by farming. The two largest employers have 2,900 employees which comprise 11% of the civilian labor force. The state's largest prison is located in Walla Walla and employs 900. Competition from other financial institutions is strong. Baker Boyer, five commercial banks, three savings banks, and two credit unions serve the area.

Examiners reviewed the results of six community contacts performed by our office and the Federal Deposit Insurance Corporation from October 1995 through July 1997. The contacts included city government, economic development organizations, and a community action group. The contacts stated that the financial institutions are meeting the credit needs of the assessment area through existing loan products. However, more affordable housing is still needed. According to the county planning department, the 1996 median home price was \$92,000 which makes it difficult for low and moderate income families to qualify for conventional home mortgages. In addition, the availability of buildable lots is limited in Walla Walla and non-profit developers are scarce.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Baker Boyer's loan-to-deposit ratio has continued to slowly climb over the past eight quarters ending March 31, 1997 at 70%. The bank's average ratio was 62.5%.

There is no similarly situated bank serving Walla Walla County which would provide a comparison. Walla Walla has two locally headquartered banks; one is commercial with \$94 million in total assets and a savings bank with \$816 million in total assets. The savings bank is primarily a residential mortgage lender with offices statewide and operates with a loan-to-deposit ratio in excess of 100%. The commercial bank's focus is small business and consumer lending and it has an average loan-to-deposit ratio of 72%.

A review of call report data for all national banks in Washington over the past eight quarters shows an average loan-to-deposit ratio of 68%. Based on this data and the one small competitor bank, we consider Baker Boyer's loan-to-deposit ratio to be reasonable.

Lending in the Assessment Area

The bank reported that it made 74% of its loans within its assessment area in 1996. Examiners reviewed a sample of 35 consumer loans, 30 residential real estate loans, and 65 business/farm loans to validate the bank's analysis. We also analyzed loans originated in 1997 and determined performance was reflective of loans the bank made in 1996. Our testing demonstrated the bank's analysis was accurate and we relied on it to assess the bank's performance in addressing the credit needs of its assessment area.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Overall distribution of lending to borrowers of different income levels and businesses of different sizes reflects good penetration given the bank's business focus of consumer and business lending. In 1996, Baker Boyer originated 1,580 consumer loans, 286 residential real estate loans, and 855 business loans. The bank provided 46% of its consumer loans and 14% of its real estate loans to low and moderate income borrowers. Low- and moderate-income families comprise 36% of the population in the bank's assessment area. The following tables illustrate Baker Boyer's performance in lending to borrowers of different income levels.

Consumer Loans:

Borrower Income Level	% of families in the Assessment Area	# of loans made	% of loans
Low	19%	330	21%
Moderate	17%	396	25%
Middle	24%	338	21%
Upper	40%	516	33%
Total	100%	1,580	100%

Residential Real Estate Loans:

Borrower Income Level	% of families in the Assessment Area	# of loans made	% of loans
Low	19%	12	4%
Moderate	17%	29	10%
Middle	24%	52	18%
Upper	40%	193	68%
Total	100%	286	100%

Baker Boyer made 72% of its business loans to businesses and farms with gross annual revenues of less than \$1 million. The bank's performance is reasonable given the competition within the area. 1996 Dunn and Bradstreet data indicates small businesses and farms comprise 90% of total businesses and farms within Baker Boyer's assessment area. The following table illustrates the bank's performance in serving various sized businesses and farms.

Lending to Businesses and Farms:

Gross Annual Revenues	# of Loans Made	% of Loans
0 - \$100,000	21	32%
\$100,001 - \$250,000	11	17%
\$250,001 - \$500,000	5	8%
\$500,001 - \$1,000,000	10	15%
> \$1,000,000	18	28%
Total	65	100%

Geographic Distribution of Loans

The geographic distribution of loans shows reasonable dispersion throughout the bank's assessment area. Baker Boyer made loans in each of the assessment area's ten block numbering areas (BNAs). According to 1990 U.S. Census data, low- and moderate-income BNA's comprise 20% of the assessment area. Of the total population in the bank's assessment area, 36% of the families have low- and moderate-income and 24% reside in low- and moderate-income BNA's. The following table shows the bank's performance in providing credit throughout its assessment area.

Lending to BNA's in Assessment Area:

Borrower Income Level	# & % of BNAs	% of Loans	% Families by BNA Income Level
Low	1 10%	4%	13%
Moderate	1 10%	7%	11%
Middle	6 60%	79%	73%
Upper	2 20%	10%	22%
Total	10 100%	2,721	100%

Records of Complaints and Compliance with Antidiscrimination Laws

The bank did not receive any complaints from the public concerning its CRA performance. We did not find any violations of the substantive provisions of antidiscrimination laws and regulations. The bank has affective policies and training programs in place to prevent discriminatory or other illegal credit practices.