



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 17, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pioneer Trust Bank, National Association
Charter Number 21060

109 Commercial Street, NE
Salem, OR 97301-0000

Office of the Comptroller of the Currency

San Francisco Field Office
One Front Street, Suite 1000
San Francisco, CA 94111

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 COMMUNITY REINVESTMENT ACT (CRA) RATING:
This institution is rated Satisfactory.**

Pioneer Trust Bank, N.A. satisfactorily meets the credit needs of its assessment area, including low- and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- The bank has a reasonable loan-to-deposit (LTD) ratio and averaged 72% during the evaluation period.
- The bank's lending in its assessment area meets the standard for satisfactory performance. A majority of the bank's loans originated within its defined assessment area.
- The bank's distribution of loans to businesses of different sizes is considered satisfactory.
- The bank's geographic distribution of business loans in low- and moderate-income census tracts meets the standard for satisfactory performance.
- There were no public complaints about the bank's CRA performance.
- The bank's community development performance demonstrates satisfactory responsiveness to the community development needs of its assessment area.

SCOPE OF EXAMINATION

This full scope performance evaluation period covered June 30, 2002 through February 29, 2008, and was evaluated using 2000 Census demographic information. Pioneer Trust Bank originated approximately 800 business loans out of 1,043 loans during this evaluation period. As such, we analyzed a random selection of 40 business loans for the Lending in the Assessment Area, Lending to Businesses of Different Sizes, and Geographic Distribution of Loans performance criterion. These loans included both commercial and commercial real estate. At the bank's option, we reviewed all of the bank's community development investments, loans, and services to ensure they met the definition for community development.

DESCRIPTION OF INSTITUTION

Pioneer Trust Bank, N.A. (PTB) is a community bank that was incorporated in 1924 as a trust bank. In July 1968, PTB became a full service bank. PTB is owned under a one-bank holding company, Pioneer Trust Bank Corporation.

PTB provides full service banking through its headquarters office and one branch located in Salem, Oregon. ATM services are available at each location. The bank is predominately a commercial lender. Although PTB's primary banking focus is in serving the business

community in their assessment area, consumer and home mortgage products are available. The bank's primary loan product is business loans.

The bank's last CRA examination was dated September 11, 2002, with a satisfactory rating. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of its community. As of December 31, 2007, PTB had total assets of \$249 million with \$185 million in loans, which represents net loans to total assets of 74%. The following table reflects the composition of the bank's loan portfolio as of 12/31/2007.

Table 1

PIONEER TRUST BANK, N.A. LOAN PORTFOLIO COMPOSITION		
Loan Type	\$ Volume (000)	% of Portfolio
Agriculture	4,892	3%
Commercial Real Estate	99,998	53%
Commercial	41,956	22%
1-4 Family Residential	34,847	19%
Consumer/Other	5,146	3%
Total Loans	186,839	100%

Call Report as of 12/31/2007

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

DESCRIPTION OF ASSESSMENT AREA(S)

PTB's assessment area consists of 40 census tracts surrounding its main banking office and branch in Salem, Oregon. The assessment area includes parts of Marion and Polk counties, which together comprise the Salem Metropolitan Statistical Area (MSA). The census tracts making up the bank's assessment area create an approximate circle around the bank's two offices. According to the 2000 U.S. Census, the population for the assessment area is 226,065. Dun and Bradstreet 2007 business demographic data indicates that there are 17,052 businesses within the bank's assessment area, 65% of which are small businesses. The assessment area meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The following table shows the number and percentage of census tracts, businesses, and families by income level within the bank's assessment area.

Table 2

PTB'S ASSESSMENT AREA COMPOSITION INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
Income of Census Tract	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	1	2.50%	65	0.38%	119	0.21%
Moderate Income	12	30.00%	5,247	30.77%	15,314	27.03%
Middle Income	14	35.00%	7,132	41.83%	20,848	36.79%
Upper Income	13	32.50%	4,608	27.02%	20,384	35.97%
N/A	0	0%	0	0%	0	0%
Total:	40	100%	17,052	100%	56,665	100%

Source: 2000 U.S. Census and 2007 Dun & Bradstreet

Based on 2007 updated Department of Housing and Urban Development (HUD) data, the median family income in the Salem MSA is \$49,085. The 2000 U.S. Census median housing price for the assessment area is \$131,073. Data from the 2000 U.S. Census indicates that 57.6% of the population in the bank's assessment area lives in owner-occupied housing and 11.16% of families in the assessment area live or have income below the poverty level.

According to the Salem Chamber of Commerce, the government is the largest employer in the Salem MSA (28%), followed by services (24%), and trade (21%). Manufacturing also provides a number of jobs, with the food products industry leading the manufacturing sector. High technology firms also employ a large number of workers. The Salem MSA unemployment rate was 6.4% in January 2008 according to the Oregon Employment Department (OED).

Competition from other financial institutions is strong. According to the FDIC-Insured Institutions Deposit Market Share Report, the local area has 17 commercial and savings banks with 98 branches. PTB ranks seventh with 5.31% market share.

In conjunction with this CRA examination, we conducted one community contact interview with a representative from the Council of Governments who identified a need for small business lending in Salem.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on a full scope review, the bank's small business performance in the assessment area is overall satisfactory. Conclusions to support this rating are based on the following.

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 September 2002 through December 2007. During this period, the LTD ranged from a low of 46% to a high of 95%, with a quarterly average of 72%. We compared the bank's average quarterly LTD ratio to that of two peer banks that operated in the same assessment area. The peer group's quarterly LTD ratio, over the same time period, averaged 96%. While the bank's average ratio was lower than the peer group average, it met the standard for satisfactory performance.

Lending in Assessment Area

The bank’s record of lending within the assessment area meets the standard for satisfactory performance.

Table 3

PTB Lending in the Salem, Oregon MSA									
Loan Type	Number of Loans				Dollars of Loans				
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	
Business Loans	26	65%	14	35%	16,606,000	60%	11,191,750	40%	
Totals	26	65%	14	35%	16,606,000	60%	11,191,750	40%	

Source: Sample of 40 business loans originated from January 1, 2005 to February 20, 2008

A majority of the bank’s loans originated within its defined assessment area. Table 3 indicates the bank originated 65% of the number and 60% of the dollar volume of loans within the defined assessment area.

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

The bank’s distribution of loans to businesses of different sizes meets the standard for satisfactory performance. (Businesses with annual revenues of \$1 million or less are deemed to be small businesses.)

Table 4

Income Distribution of Loans to Businesses in the Salem MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	5%	30%	100%
% of Bank Loans in AA by #	68%	32%	0%	100%
% of Bank Loans in AA by \$	57%	43%	0%	100%

Demographic Data Source: 2007 Business Geodemographic Data.

Table 4 shows that the percentage of small businesses within the Salem MSA is 65%. Based on our sample, the bank's distribution of business loans to businesses with revenues less than \$1 million exceeded the area demographics by number, but was lower than the area demographics by dollar. The resulting percentages were 68% and 57%, respectively. While the dollar volume was below the area demographics, we place more emphasis on the number of loans which focuses on the bank's performance in actually making loans to small businesses rather than the amount of the loan.

Geographic Distribution of Loans

The bank's geographic distribution of loans meets the standard for satisfactory performance. The loan distribution reflects adequate dispersion throughout the assessment area. We used the same sample of business loans used in the analysis of “Lending to Businesses of Different Sizes”. Table 5 details the geographic distribution of the bank’s business loans in the assessment area.

Table 5

Geographic Distribution of Loans to Businesses in the Salem MSA								
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	2.50%	0%	30%	37.50%	35%	32.50%	32.50%	30%

Demographic Data Source: 2007 Business Geodemographic Data

The above table reflects that 30% of small businesses are located in moderate income census tracts. In comparison, our loan sample reflected that 37.50% of the bank’s business borrowers were located in this tract, which exceeded the area demographics. The 2007 Business Geodemographic data showed that 2.50% of small businesses were located in the only low-income census tract in the bank's assessment area. In comparison, our loan sample reflected that none of the bank’s business borrowers were located in this tract. While this reflects poor penetration, opportunities to lend is limited due to the number of small businesses and competition. PTB faces competition with six other banks that are larger and have more branches. PTB has only 5.31% of the market share.

Qualified Community Development (CD) Activities

The level of community development activities enhances the bank’s rating of “Satisfactory.” Qualifying community development activities are those that meet the definition of community development, as defined in the CRA regulation. The following paragraphs constitute a partial list of activities that PTB has participated in since the last CRA examination in 2002.

Community Development Loans

During the evaluation period, PTB originated 18 CD loans through the Consortium of Salem Area Lenders (CONSALL) who provided affordable housing for low- and moderate-income Oregonians.

PTB also originated CD loans that provided financing for the first 55 unit apartment housing project targeted to low-income persons in downtown Salem.

Community Development Services

PTB's participation in community development services is satisfactory and enhances the bank's record of serving the needs of their community. Since the last examination, senior management and employees have used their financial and banking expertise to serve on various committees and provide technical assistance to a number of organizations which, for an example, helped facilitate affordable housing for low- and moderate-income individuals and economic development by financing small businesses.

Community Development Investments

The number and amount of qualified investments is satisfactory. During the evaluation period, PTB had \$5M in qualifying donations to various organizations which, for example, provided food and clothing targeted to low- and moderate-income persons.

Responses to Complaints

Pioneer Trust Bank has not received any consumer complaints related to its CRA performance since the last examination.

Fair Lending or Other Illegal Credit Practices Review

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