



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 13, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Baker Boyer National Bank
Charter Number 3956

7 West Main Street
Walla Walla, WA 99362

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Seattle Field Office

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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.

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

Baker Boyer National Bank (BBNB 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.
- The Bank's record of lending in the assessment area (AA) exceeds the standard for satisfactory performance. A substantial majority of the loans are originated within the defined assessment areas (AA).
- The distribution of loans reflects a reasonable penetration among businesses of different sizes and individuals of different income levels given the Bank's product offerings and local economic conditions.
- The Bank's geographic distribution of loans reflects reasonable 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.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Scope of Examination

This Performance Evaluation covered the period from August 10, 2009 through November 13, 2012, and was evaluated using 2000 U.S. Census demographic information. We conducted a data integrity review of the Bank's loan application register (LAR) in August 2012. We pulled a sample of 60 credit files which included five adverse action files. Loans were randomly selected for each year from 2010 to 2012. Our objective was to evaluate the accuracy of key HMDA fields. We determined that errors in key fields are present in less than five percent of loan application records. The level of errors in the data does not prevent an accurate evaluation of the Bank's HMDA lending performance. 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

BBNB is a wholly owned subsidiary of Baker Boyer Bancorp. The Bank was chartered on January 8, 1889, and is headquartered in downtown Walla Walla, Washington. The Bank is an interstate Bank and operates eight branch offices in two states. BBNB offers a full range of products through its four full service branch offices located in Walla Walla, Washington, and one each in College Place, Kennewick, and Yakima, Washington and Milton-Freewater, Oregon. The Bank has three stand-alone automated teller machines (ATM) in Walla Walla. The College Place, Milton-Freewater, and Walla Walla branches have ATMs at their facilities.

As of September 30, 2012, BBNB had total assets of \$520 million and equity capital of \$43 million. Total loans represented 56 percent of total assets. BBNB's commercial loans totaled \$156 million, or 53 percent of total loans. Loans secured by one-to-four and multi-family residential properties totaled \$90 million, or 31 percent of total loans. Agricultural loans totaled \$31 million, or 11 percent of total loans, and consumer loans totaled \$11 million, or 4 percent of total loans.

The Bank's primary focus is on commercial lending and residential real estate loans for individuals. When comparing the Bank to its peers, we are referring to all banks doing business in the AA. However, the size of the Bank is taken into consideration when making comparisons to peer banks. The Bank has the second, the sixth, the fourteenth, and the fifteenth largest share of its Walla Walla, Umatilla, Kennewick-Richland-Pasco, and Yakima Metropolitan Statistical Areas (MSA) by deposits, respectively. Baker Boyer National Bank is one of only two banks headquartered in Walla Walla. Competition for commercial and residential real estate loans is mainly from full service banks located in BBNB's AA.

There are no legal or financial circumstances impeding the Bank's ability to help meet the credit needs of its community. The Bank's CRA performance was previously evaluated on August 3, 2009, and found to be satisfactory.

Table 1

BAKER BOYER NATIONAL BANK LOAN PORTFOLIO COMPOSITION		
Loan Type	\$ Volume (000)	% of Portfolio
Commercial	156,315	53.21
Residential Real Estate	90,211	30.71
Agricultural	31,449	10.71
Consumer	10,661	3.63
Others	5,140	1.75
Total Loans	293,776	100.00

Source: Call Report as of 9/30/12

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

Selection of Areas for Full-Scope Review

The Bank operates primarily in four AA in Washington and Oregon. One AA includes the two counties (Benton and Franklin) in the Richland-Kennewick-Pasco (Tri-Cities) MSA. One AA includes the county of Yakima in the Yakima MSA. And, the remaining two AA represent the counties of Walla Walla, Washington, and Umatilla, Oregon, directly south of Walla Walla County. We selected the AA of Walla Walla County and Umatilla County for full scope review. The Richland-Kennewick-Pasco MSA and Yakima MSA AAs were selected for a limited scope review because of their minimal contribution to the total loans and deposits of the Bank. The deposits in Richland-

Kennewick-Pasco MSA account for 8.6 percent of deposits and 14.8 percent of total loans. While the Yakima MSA accounts for 1 percent of deposits and 4.3 percent of total loans.

BBNA maintains eight branches in two states. We designated two full scope assessment areas, one AA in each of two states: the County of Walla Walla in Washington and Umatilla County in Oregon. We separately analyzed the Bank's loan distribution data and Community Development activities within each assessment area in each state.

Ratings

The Bank's overall rating is a blend of the state ratings. We weighted performance in the Washington State area most heavily given that the preponderance of loan activity was generated in that area during the evaluation period. Most branches are located in Washington and the Bank maintains only one branch in the State of Oregon.

Conclusions with Respect to Performance Criteria

Based on a full scope review, the Bank's residential real estate and small business lending performance in the AA is satisfactory overall. Conclusions to support this rating are based on the following:

Loan-to-Deposit Ratio

Baker Boyer National Bank's LTD ratio is reasonable and meets the standard for satisfactory performance given the Bank's size and credit needs of its AA.

We evaluated the Bank's quarterly average net LTD ratio for the previous 14 quarters (since the previous CRA examination) through December 2011. During this period, the Bank's LTD ratio averaged 74 percent, despite selling 32 percent of total loans originated to Freddie Mac in 2011. We compared the Bank's average LTD ratio with that of peer banks that are similar in asset size and headquartered in areas having similar AA demographics. The combined average quarterly LTD ratio of peer banks was 83 percent over the same period. BBNA's average LTD ratio is just slightly less than the peer average and considered reasonable.

Lending in Assessment Area

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

Table 2

BAKER BOYER NATIONAL LENDING IN THE AA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans (Sample)	37	92.5	3	7.5	10,238	98.05	205	1.95
Residential Real Estate	600	94.79	33	5.21	109,334	94.18	6,756	5.82
Totals	637	94.65	36	5.35	119,572	94.49	6,961	5.51

Source: HMDA and CRA reported loans originated from July 1, 2009 to December 31, 2011

A substantial majority of the Bank's loans and other lending-related activities are made within the Bank's designated AA. We used the residential mortgage data reported under HMDA and sampled 40 business loans since the previous CRA examination. Of the 40 sampled business loans, the Bank originated 37 loans, or 93 percent of the number of loans, and 98 percent of the dollar volume of the loans to borrowers within their AA.

State Rating

Note: The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to the states and to any assessment area.

State of Washington

CRA Rating: Satisfactory

The Lending test is rated Satisfactory.

The Community development test is rated Satisfactory.

- Lending patterns to businesses with annual revenue of \$1 million and less compare reasonably to the Dunn and Bradstreet business demographic data.
- The geographic distribution of loans compares reasonably to area demographics.
- The Bank demonstrates satisfactory responsiveness to community development within the Walla Walla County in the State of Washington.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WASHINGTON STATE

The area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The Bank helps meet community credit needs in the AA through its 4 offices located in Walla Walla, and the College Place, Kennewick, and Yakima branches.

WALLA WALLA FULL SCOPE AA

The Walla Walla AA is comprised of the entire county of Walla Walla located in southeast Washington. Walla Walla County has a total area of 1,271 square miles, and ranks 26th in size among Washington's 39 counties. Walla Walla County is bounded to the north by Franklin County (along the Snake River), to the west by Benton County (along the Columbia River), and to the east by Columbia County. The county's southern boundary forms part of the Washington-Oregon border across which is the Umatilla County AA.

Farming, manufacturing (especially food-related), higher education, and government employment are important industries in the county. Agriculture is a dominant force behind the local economy. Wheat is the county's largest crop. In 2010, Broetje Orchards was the largest employer with 2,852 employees. Walla Walla County is also the location of the Washington State Penitentiary, the second largest employer in the county, with 1,245 employees in 2010. The county is also a regional center of trade and services (especially health care) for residents across southeast Washington. Providence St. Mary Medical Center is the third largest employer, with 999 employees in 2010. Higher education, with three colleges, is also a significant contributor to the Walla Walla community. The unemployment rate in December 2011 was 7.4 percent. The unemployment rate fluctuates throughout the year reflecting seasonal agriculture employment.

Approximately 81 percent of the Bank's deposits come from this AA. The Bank's headquarters, as well as four other branches and seven ATMs are located in this AA. Major competitors of the Bank are Banner Bank, which is headquartered in Walla Walla, and branches of AmericanWest Bank, Sterling Savings Bank, JP Morgan Chase, Bank of America, N.A., Bank of Whitman, and US Bank, N.A. Competitive factors have the greatest impact on the ability of the Bank to originate loans to various segments of the AA population or within certain geographic areas within the AA.

The following table highlights the demographic composition of the Bank's Walla Walla AA:

Table 3

WALLA WALLA ASSESSMENT AREA INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
<i>Income of Census Tract</i>	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	0	0.00	0	0.00	0	0.00
Moderate Income	2	18.18	768	20.66	1,935	14.49
Middle Income	6	54.55	2,246	60.42	8,552	64.04
Upper Income	3	27.27	704	18.93	2,867	21.47
N/A	0	0.00	0	0.00	0	0.00
Total:	11	100.00	3,718	100.00	13,354	100.00

Source: 2000 Census Data

The total population of the AA is 58,800. The 2011 weighted average HUD updated median family income is \$56,600, and the median housing value is \$195,200. Competition in the area is strong with nine Banks operating within the Walla Walla AA. BBNB ranks second in deposit market share with 36.09 percent.

KENNEWICK-RICHLAND-PASCO MSA LIMITED SCOPE AA

The Kennewick-Richland-Pasco AA is a designated MSA, and comprises the counties of Benton and Franklin in Washington. Benton and Franklin counties are located in the south central part of the state. The Columbia River makes up the north, south, and east boundaries of Benton County. The largest city in Benton County is Kennewick. Benton County has a total area of 1,760 square miles. As of 2010, the population of the county was 175,177, with 65,304 households and 45,699 families residing in the area. Franklin County is northeast of Benton and north of Walla Walla County. It has a total area of 1,242 square miles. The largest city in Franklin County is Pasco. As of the 2010, the population of the county was 78,163, with 23,245 households and 18,163 families residing in the area. The top industries include state and local government, wholesale and retail trade, farming, manufacturing, and scientific research and development services. In 2010, the top three employers were Battelle/PNNL with 4,723 employees, CH2M Hill with 3,081 employees, and ConAgra/Lamb-Weston with 2,735.

YAKIMA LIMITED SCOPE AA

The Yakima AA is a designated MSA and comprises the county of Yakima in the state of Washington. Yakima is also the largest city in the county. The county has a total area of 4,312 square miles. As of the census of 2010, the population of the county was 247,141, with 85,904 households in the county. The top industries include state and local government, farms, fishing and hunting, and general medical and surgical hospitals. The top two employers are Yakima Valley Memorial Hospital with 2,200 employees, and Yakima Valley Farm Workers Clinic with 1,181 employees.

Please refer to the public file for additional information about the AAs.

SCOPE OF EVALUATION IN WASHINGTON

We conducted a full-scope review of BBNA's performance in its Walla Walla County AA in Washington using the CRA Lending Test and Community Development (CD) Test.

In addition, to help evaluate credit and community development needs as part of this examination, examiners contacted the Walla Walla Small Business Development Center. They stated that there is a need for financing small business start-ups in the area. They also mentioned opportunities for banks to fund projects to create residential living quarters downtown by working with businesses and building owners to convert unused building space. Examiners also held discussions with other community organizations in the AA and identified needs including small loans for small businesses and foreclosure forbearance and loan modification assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WASHINGTON STATE

For the CRA loan distributions criteria under the Lending Test, we analyzed all residential mortgages reported under HMDA and a random sample of 20 commercial loans because commercial lending represents the substantial majority of the Bank's lending activity.

- The Bank's distribution of lending to businesses of different sizes is reasonable.
- The geographic distribution of commercial loans compares favorably to area demographics, especially in low- and moderate-income geographies.

LENDING TEST

The Bank's performance under the lending test in Washington is rated Satisfactory.

Lending to Businesses of Different Sizes

The Bank's distribution of loans to businesses of different sizes, given the demographics of the AA, reflects reasonable penetration and meets the standard for satisfactory performance

Based on the sample, commercial loans the Bank granted to businesses with annual revenue of \$1 million or less exceeds the demographic by number of loans.

The Bank's distribution of loans to businesses of different sizes in the limited scope Kennewick-Richland-Pasco MSA and the Yakima MSA AA is consistent with lending in the full scope AA.

The following table reflects the distribution of commercial loans to business of different revenues based on our random sample.

Table 4a

WALLA WALLA ASSESSMENT AREA INCOME DISTRIBUTION OF LOANS TO BUSINESSES				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.44%	2.78%	25.78%	100%
% of Bank Loans in AA	80%	20%	0%	100%

Source: Loan sample; Dun and Bradstreet data

Lending to Borrowers of Different Incomes

The Bank’s distribution of residential real estate loans to low- and moderate-income borrowers in the Walla Walla AA reflects reasonable penetration.

The tables show that home purchase, home improvement, and home refinance loans made to low- and moderate-income borrowers in the Walla Walla AA were slightly lower than the ratio of low- and moderate-income borrowers living in the AA. However, taking into consideration the number of borrowers living at or below the poverty level in the Walla Walla AA (13.72 percent), and the supply of affordable housing, the percentages are reasonable.

Table 4b

WALLA WALLA ASESMENT AREA BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.41	2.86	16.74	7.62	20.52	12.38	43.33	60.95
Home Improvement	19.41	6.82	16.74	9.09	20.52	9.09	43.33	63.64
Home Refinance	19.41	2.55	16.74	8.92	20.52	14.01	43.33	54.46

Source: Data reported under HMDA and 2000 U.S. Census data.

Geographic Distribution of Loans

Business Loans

BBNA’s record of originating commercial loans reflects reasonable geographic distribution within the AA and meets the standard for satisfactory performance.

As shown in the table below, the geographic distribution of loans reflects reasonable dispersion throughout the Walla Walla AA. There are no businesses located in low-income census tracts in the Walla Walla AA. The Bank’s business lending in Walla Walla’s moderate-income census tracts exceeds the ratio of businesses located in moderate-income tracts.

Table 5a

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE WALLA WALLA 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	0	0	18.36	40	56.48	35	25.16	25

Source: Loan sample and 2000 U.S. Census data.

Residential Real Estate Loans

The Bank’s home purchase lending throughout the Walla Walla AA was near the ratio of owner occupied units; their home improvement lending was lower than the ratio of owner occupied units; and their home refinance lending was near the ratio of owner occupied units within these geographies.

As shown in the tables below, the geographic distribution of the Bank’s residential real estate lending in Walla Walla’s low- and moderate-income geographies is only slightly lower than the geographic ratio and considered reasonable dispersion.

Table 5b

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN WALLA WALLA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	12.68	8.57	63.99	66.67	23.34	24.76
Home Improvement	0.00	0.00	12.68	4.55	63.99	68.18	23.34	27.27
Refinancing	0.00	0.00	12.68	9.87	63.99	66.56	23.34	23.57

Source: Data reported under HMDA and 2000 U.S. Census data.

DESCRIPTION OF INSTITUTION’S PERFORMANCE IN STATE OF OREGON

ASSESSMENT AREA

UMATILLA FULL SCOPE AA

The Umatilla AA comprises the entire county of Umatilla in Oregon. Umatilla is one of 36 counties in Oregon. Its 2011 population of 76,725, ranked 13th in the state. The county covers 3,231 square miles, and is located on the Washington border in northeast Oregon, at the confluence of the Umatilla and Columbia Rivers. The county is bordered to the north by Walla Walla County in Washington, and to the south by Grant County in Oregon. Umatilla County’s top industries are agriculture, food processing, and wood

products. The major employers are the State of Oregon and the Confederated Tribes of the Umatilla Indian Reservation.

Approximately 11 percent of the Bank’s deposits come from this AA. Two branches and one ATM are located in this AA. Major competitors of the Bank are Banner Bank, Columbia River Bank, Community Bank, and branches of Bank of America, N.A., US Bank, N.A., Bank of the West, and Wells Fargo Bank, N.A. Competitive factors have the greatest impact on the ability of the Bank to originate loans to various segments of the AA population or within certain geographic areas within the AA. Most of this AA’s loans are related to agriculture.

The following table highlights the demographic composition of the Bank’s Umatilla AA:

Table 6

UMATILLA ASSESSMENT AREA						
INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
<i>Income of Census Tract</i>	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	0	0.00	0	0.00	0	0.00
Moderate Income	0	0.00	0	0.00	0	0.00
Middle Income	13	86.67	5,209	88.62	21,577	85.50
Upper Income	2	13.33	669	11.38	3,660	14.50
N/A	0	0.00	0	0.00	0	0.00
Total:	15	100.00	5,878	100.00	25,237	100.00

The total population of the AA is 76,725. The weighted average HUD updated MSA median family income is \$52,700. Competition in the area is strong with nine Banks operating within the Umatilla AA. BBNB ranks sixth in deposit market share with 5.62 percent. The five largest Banks hold 84.28 percent of the deposit market share.

SCOPE OF EVALUATION IN OREGON

We conducted a full-scope review of BBNA’s performance in its Umatilla County AA in Oregon using the CRA Lending Test and Community Development (CD) Test.

In addition, to help evaluate credit and community development needs as part of this examination, examiners contacted an economic development corporation. They stated that the biggest needs in the community are the development of more low-moderate income housing and the availability of loans for small businesses. They also said that many people in the area are not well-informed about how to stay on top of their personal finances or purchasing a home for the first time, and banks could help put on seminars in local communities to help with this.

CONCLUSIONS WITH RESPECT TO LENDING TESTS IN OREGON STATE

Baker Boyer National Bank’s performance under the Lending Test distribution of loans in the Umatilla County AA in the State of Oregon is rated Satisfactory.

For the CRA loan distributions criteria under the Lending Test, we analyzed all residential mortgages reported under HMDA and a random sample of 20 commercial loans because these represent the substantial majority of the Bank’s lending.

- The Bank’s distribution of lending to businesses of different sizes is reasonable.
- The geographic distribution of commercial loans compares favorably to area demographics, especially in low- and moderate-income geographies.

LENDING TEST

The Bank’s performance under the lending test in Oregon is rated Satisfactory.

Lending to Businesses of Different Sizes

The percentage of businesses with revenues of less than or equal to \$1,000,000 within the Umatilla AA is 70 percent. Based on the Bank’s small business reporting, the Bank originated 75 percent of their loans to these businesses, exceeding the area demographics.

Table 7a

UMATILLA ASSESSMENT AREA INCOME DISTRIBUTION OF LOANS TO BUSINESSES				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.16%	2.79%	27.05%	100%
% of Bank Loans in AA	75%	25%	0%	100%

Source: Loan sample; Dun and Bradstreet data

Lending to Borrowers of Different Incomes

The Bank’s distribution of home loans to low- and moderate-income borrowers in the Umatilla AA reflects reasonable penetration.

The tables show that the Bank made no home purchase loans to low-income borrowers. However, home purchase loans to moderate-income borrowers exceeded the demographics in the AA. Home improvement loans made to low- and moderate-income borrowers in the Umatilla AA were near to the ratio of borrowers living in the AA. And, home refinance loans made to moderate-income borrowers exceeded the moderate-income families living in the AA.

Table 7b

UMATILLA ASSESSMENT AREA BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.11	0.00	17.65	20.00	22.71	20.00	42.53	60.00
Home Improvement	17.11	14.29	17.65	14.29	22.71	0.00	42.53	71.43
Home Refinance	17.11	5.88	17.65	19.61	22.71	9.80	42.53	47.06

Source: Data reported under HMDA and 2000 U.S. Census data.

Geographic Distribution of Loans

Business Loans

The Bank's geographic distribution of loans reflects reasonable dispersion. There are no low- or moderate-income geographies in the Umatilla AA. However, the Bank's business lending was reasonably dispersed throughout the Umatilla 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.

As shown in the table below, the geographic distribution of loans reflects reasonable dispersion throughout the Umatilla AA.

Table 8a

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE UMATILLA 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	0	0	0	0	88.62	100	11.38	0

Source: Loan sample and 2000 U.S. Census data.

Residential Real Estate Loans

The Umatilla AA has no owner occupied housing in low- or moderate-income tracts. Therefore, lending opportunities in the Umatilla AA are limited to middle- and upper-income families. Given the demographics of the AA, the Bank's lending to middle-income census tracts is reasonable.

As shown in the tables below, the geographic distribution of the Bank's residential real estate lending in Umatilla low-and moderate-income geographies reflects reasonable dispersion.

Table 8b

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN UMATILLA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	0.00	0.00	85.41	100.00	14.59	0.00
Home Improvement	0.00	0.00	0.00	0.00	85.41	100.00	14.59	0.00
Refinancing	0.00	0.00	0.00	0.00	85.41	100.00	14.59	0.00

Source: Data reported under HMDA and 2000 U.S. Census data.

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

- **BBNA's performance under the CD test in the State of Washington is rated Satisfactory.**
- **BBNA's performance under the CD test in Oregon is rated Satisfactory.**

Summary

The Bank funded CD loans and qualified investments and donations, and Bank representatives provided services that benefited each of its AAs. Given performance context, we consider these CD activities and Bank responsiveness to be adequate.

Loans

The Bank made a total of three Community Development loans totaling \$2.7 million for the State of Washington during the CD evaluation period, and two loans totaling of \$357 thousand in the Umatilla County AA.

Management understands there is room for improvement, but as a strict dollar amount versus available opportunities in each AA, the dollar amount is adequate to meet the test of a satisfactory rating. The volume is relatively low in both states despite the limited opportunities. Management's need to focus on commercial loan soundness and the limited opportunities in the AA during this recessionary period provides performance context and helps support reasonableness of CD performance.

Investments

During the evaluation period, BBNB purchased 17 bonds totaling \$8.37 million. These

bonds serve Adams, Columbia, Kittitas, Pend Oreille, San Juan and Whitman Counties in Washington State. All of these counties are located in a targeted distressed area within the Bank's broader statewide region. The bonds help support key functions in the communities to include communications, public services and facilities.

In addition to investments, BBNB had cash donations of over \$32 thousand to various organizations during this evaluation period. Of the \$32 thousand, \$29 thousand was to organizations located in the Walla Walla AA and \$3 thousand were made to those in Umatilla county.

Services

Several officers devoted time and resources to community activities that have CRA CD significance in each assessment areas. Bank employees have provided services to over 17 community development qualified organizations totaling over 1,304 hours of service. Of special note are the activities that addressed the needs of the homeless poor and low-income at-risk youth.

Responsiveness to Community Development Needs

The Bank's overall responsiveness through CD activities, CD lending, investment, and services needs, is adequate. This is supported by the CD services and investments originated during the period. These services and investments help stabilize and support local economies; and, help provide affordable housing to low- and moderate-income families within BBNB's AA.

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.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: (07/01/09 to 12/31/11) Community Development Test: (07/01/09 to 11/13/12)	
Financial Institution	Products Reviewed	
Baker Boyer National Bank (BBNB)	Commercial Loans Residential Mortgages	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Walla Walla County Umatilla County Yakima County Kennewick-Richland-Pasco MSA	Full Scope Full Scope Limited Scope Limited Scope	

Appendix B: Summary of State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Baker Boyer	Satisfactory	Satisfactory	Satisfactory
Washington	Satisfactory	Satisfactory	Satisfactory
Oregon	Satisfactory	Satisfactory	Satisfactory