

PUBLIC DISCLOSURE

March 08, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BANK OF ASTORIA
Certificate Number: 19877**

**1122 Duane Street
Astoria, Oregon 97103**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, CA 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.

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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 assessment area, 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 assessment area.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank of Astoria** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **March 08, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

Bank of Astoria was evaluated using “small bank” procedures. The Community Reinvestment Act (CRA) defines a small bank as one that had total assets of less than \$250 million as of December 31 of the two prior calendar years.

This evaluation reflects the bank’s CRA performance since the previous evaluation dated February 12, 1998. The evaluation was conducted at the institution’s main office in Astoria, Oregon. The evaluation relied on records and reports provided by the bank, publicly available loan and financial information, demographic information, and information gathered as part of the examination process, including community contacts.

INSTITUTION RATING

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

The evaluation of Bank of Astoria's overall CRA performance was based upon the five following criteria:

- Loan-to-Deposit Ratio
- Assessment Area Concentration
- Borrower Profile
- Geographic Distribution
- Response to CRA-related Complaints

Considering this methodology, the institution's CRA performance depicts a satisfactory level of providing for the credit needs of its assessment area. This rating is supported by the following conclusions:

- The institution's average loan-to-deposit ratio for the preceding 24 quarters stood at 70.7 percent. This ratio is consistent with the ratios of other similarly situated institutions and is considered reasonable.
- The bank originated a majority of its loans within its assessment area. For 2002 and 2003 combined, the bank originated 90.3 percent of its loans by number and 73.5 percent by dollar volume within its assessment area.
- The institution's performance of lending to businesses of different sizes is considered reasonable.
- The geographic distribution of business loans reflects a reasonable dispersion throughout the bank's assessment area.
- There were no CRA-related complaints on file since the previous evaluation.

A recent community contact was conducted with the director of a local area small business development center. The contact indicated that there remains a need for small businesses. The contacted stated that small businesses create new jobs which are needed for the local economic recovery.

DESCRIPTION OF INSTITUTION

Bank of Astoria is a state-chartered community bank headquartered in Astoria, Oregon. The bank operates five offices in Clatsop and Tillamook Counties. Bank of Astoria is not owned by a holding company nor does it have any affiliates.

The December 31, 2003, Consolidated Report of Condition lists total assets of \$154,865,000. Total loans as of this date were \$97,017,000. Not included in the loan totals are 377 mortgage loans from calendar years 2002 and 2003 totaling \$39,515,341, which were facilitated by the bank and subsequently sold in the secondary market. Table 1 details the bank's loan distribution as of December 31, 2003.

Table 1

Loan Portfolio Distribution as of September 30, 2003		
Loan Type	Dollar Volume (000)	Percentage of Total Loans
Construction and Land Development	3,584	3.7
Secured by Farmland	1,117	1.2
Revolving Open-end 1-4 Family Residential	1,184	1.2
Closed-end 1-4 Family Residential First Lien	2,110	2.2
Closed-end 1-4 Family Residential Junior Lien	266	0.3
Multi-family Residential	3,122	3.2
Commercial Real Estate	71,731	73.9
Total Real Estate Secured	83,114	85.7
Loans to Finance Agricultural Production	1,006	1.0
Commercial and Industrial loans	9,104	9.4
Consumer Credit Cards	0	0.0
Other Consumer Revolving Loans	874	0.9
Closed-end Consumer Loans	1,412	1.5
Obligations of States and Political Subdivisions	1,693	1.7
Other Loans	23	0.0
Less: Any Unearned Income on Loans	(209)	(0.2)
Total Loans	97,017	100.0

Source: Bank of Astoria's December 31, 2003 Consolidated Report of Condition

Bank of Astoria has five full service offices including the main office. Since the previous evaluation, the bank opened one office in Manzanita in Tillamook County, Oregon. This branch was opened on June 08, 2001, and is located in a middle-income block numbering area. As a result of this branch addition, management expanded the assessment area to include the northern block numbering area (9601) in Tillamook County. The bank has not closed any branches since the previous evaluation. Table 2 illustrates Bank of Astoria's branch distribution within its assessment area based on the 2000 U.S. Census, stratified by block numbering area income categories. For reference, block numbering area and household distribution information are also listed.

Table 2

Distribution of Branches by Income Category of the Block Numbering Areas						
Block Numbering Area Income Category	Block Numbering Areas in Assessment Area		Households		Bank Offices by Tract Location	
	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0
Middle	10	83.3	14,572	90.0	5	100.0
Upper	2	16.7	1,626	10.0	0	0.0
Total	12	100.0	16,198	100.0	5	100.0

Source: 2000 U.S. Census data and Bank Records

There are no regulatory or legal constraints preventing Bank of Astoria from helping to meet the credit needs of its community. The bank’s overall financial condition is sound. Earnings, capital, and liquidity have been sufficient to support the bank’s lending activity.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires an institution to identify one or more assessment areas within which regulatory agencies will evaluate the institution’s CRA performance. Management of the Bank of Astoria has selected Clatsop County and the northern block numbering area (9601) in Tillamook County. Tillamook County lies directly to the south of Clatsop County along the Oregon Coast. Clatsop and Tillamook Counties are not located in a Metropolitan Statistical Area. The assessment area selection is in conformance with the requirements of the CRA regulation.

More specifically, based on the 2000 U.S. Census, the assessment area contains 12 block numbering areas of which 11 are in Clatsop County and one is in Tillamook County. The area covers the northwestern portion of the State of Oregon and includes the cities of Astoria, Cannon Beach, Gearhart, Manzanita, Seaside, and Warrenton.

The economic support of Clatsop and Tillamook Counties is centered in fishing, tourism, forest products, agriculture, and recreation. Commercial fishing and forest products, once the preeminent industries, have experienced a long protracted decline over the past two decades but still play a major role in the local economy. According to the Bureau of Labor Statistics, the 2002 unemployment rates for Clatsop and Tillamook Counties were 6.5 percent and 6.0 percent, respectively.

The bank’s 2002 business lending was analyzed using 1990 U.S. Census data. According to this data, the assessment area contained 16 block numbering areas: 0 low-income, 1 moderate-income, 8 middle-income, 5 upper-income, and 2 “N/A” block numbering areas containing no demographic data. The two N/A block numbering areas are excluded from this evaluation as the two have a reported combined population of 21 individuals with no other demographic information. Refer to Table 3 for further 1990 demographic information for the assessment area.

Table 3

1990 Assessment Area Demographics										
Block Numbering Area Income Level	Block Numbering Areas in Assessment Area		Total Population		Total Households		Total Families		Total Housing Units	
	#	%	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	7.1	960	2.7	571	3.9	245	2.5	1,053	5.4
Middle	8	57.2	23,079	63.9	9,663	65.4	6,191	62.6	12,868	65.4
Upper	5	35.7	12,052	33.4	4,539	30.7	3,454	34.9	5,740	29.2
Total	14	100.0	36,091	100.0	14,773	100.0	9,890	100.0	19,661	100.0

Source: 1990 U.S. Census data

The bank’s 2003 business lending was analyzed using 2000 U.S. Census data. According to this data, the assessment area contained 12 block numbering areas (10 middle-income and 2 upper-income). Refer to Table 4 for additional 2000 demographic information for the assessment area.

Table 4

2000 Assessment Area Demographics										
Block Numbering Area Income Level	Block Numbering Areas in Assessment Area		Total Population		Total Households		Total Families		Total Housing Units	
	#	%	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Middle	10	83.3	34,737	89.7	14,572	90.0	9,365	89.3	20,168	88.7
Upper	2	16.7	3,969	10.3	1,626	10.0	1,127	10.7	2,568	11.3
Total	12	100.0	38,706	100.0	16,198	100.0	10,492	100.0	22,736	100.0

Source: 2000 U.S. Census data

As illustrated in Tables 3 and 4, the assessment area does not contain any low-income block numbering areas. Furthermore, the 2000 U.S. Census identified no moderate-income block numbering areas. The results of the 2000 U.S. Census, in comparison to the 1990 U.S. Census, showed a dramatic shift to middle-income geographies, not only from moderate-income areas but also from upper-income areas.

According to 2003 D & B information, Bank of Astoria’s assessment area had 3,701 businesses. As illustrated in Table 5, with no low- or moderate-income block numbering areas in the bank’s assessment area, businesses are concentrated in middle-income (92.6 percent) and upper-income block numbering areas (7.4 percent).

Table 5

Small Businesses by Geography				
Block Numbering Area Type	Number of Businesses	% of Businesses	Number of Small Businesses	% of Small Businesses
Low-Income	0	0.0	0	0.0
Moderate-Income	0	0.0	0	0.0
Middle-Income	3,426	92.6	2,399	91.8
Upper-Income	275	7.4	214	8.2
Totals	3,701	100.0	2,613	100.0

Source: 2003 D & B

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

SCOPE OF EVALUATION

This evaluation of Bank of Astoria's lending performance is based on a review of commercial and commercial real estate loans. These two loan products are the bank's two largest loan products and account for 73.9 percent and 9.4 percent, respectively, of the loan portfolio as of December 31, 2003. Loans coded in accordance to the FFIEC's Consolidated Report of Condition loan classifications as commercial and commercial real estate (business) that originated from January 01, 2002, through December 31, 2003, represented the universe for business loans. The universe of business loans totaled 236 by count and \$41,316,145 by dollar volume.

For purposes of evaluating the bank's performance regarding Borrower Profile and Geographic Distribution, only loans originated within Bank of Astoria's assessment area were used.

The loan-to-deposit ratio performance analysis utilized the institution's average loan-to-deposit ratio of the 24 calendar quarters dating back to the previous evaluation. The ratios were computed using total net loans (total loans less the allowance for loan and lease losses) and total deposits reported by the institution on its quarterly Consolidated Report of Condition.

LOAN-TO-DEPOSIT RATIO

This measurement of performance gauges the extent to which the institution invests depositors' funds back into the community through its lending activity. The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area needs. The institution's average loan-to-deposit ratio, based on the 24 quarters dating back to the previous evaluation, stands at 70.7 percent. The bank's quarterly loan-to-deposit ratios have ranged from 56.7 percent (September 30, 1998) to a high of 81.2 percent (June 30, 2001). The bank's average loan-to-deposit ratio is consistent with the ratios of other similarly situated Oregon institutions.

ASSESSMENT AREA CONCENTRATION

Bank of Astoria's lending levels reflect a reasonable responsiveness to its assessment area credit needs. As illustrated in Table 6, the bank originated a majority of its evaluated loans within its assessment area. Specifically, 90.3 percent by number and 73.5 percent by dollar volume of loans reviewed were granted in the assessment area. The disparity between the percentage of number of loans and the dollar volume of loans is attributed to several large loan participations purchased by the bank during the two-year evaluation period. These figures are consistent the ratios of other small commercial banks located in the Pacific Northwest.

Table 6

Distribution of Loans Inside and Outside the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Amount of Loans (000s)				
	Inside Assessment Area		Outside Assessment Area		Total	Inside Assessment Area		Outside Assessment Area		Total
	#	%	#	%		\$	%	\$	%	
Business Loans										
2002	43	82.7%	9	17.3%	52	\$10,059	75.7%	\$3,232	24.3%	\$13,291
2003	170	92.4%	14	7.6%	184	\$20,319	72.5%	\$7,706	27.5%	\$28,025
Total	213	90.3%	23	9.7%	236	\$30,378	73.5%	\$10,938	26.5%	\$41,316

Source: Commercial and commercial real estate loans originated by Bank of Astoria

BORROWER PROFILE

Bank of Astoria's distribution of loans demonstrates a reasonable record among businesses of different sizes. A small business is a business with gross annual revenue (GAR) of \$1 million or less. Tables 7 and 8 below depict the degree of lending to businesses of different sizes within the assessment area.

For 2002, the bank granted 67.4 percent by count and 51.1 percent by dollar volume to small businesses. For 2003, loan originations show a positive trend of loans extended to small businesses with 78.2 percent by count and 58.2 percent by dollar volume. The bank's performance based on these ratios is consistent with other similarly situated institutions located in the Pacific Northwest. According to D & R business demographic information for 2003, 70.6 percent of all business located in the bank's assessment area are small businesses. Of significance, the bank granted 23.3 percent and 27.6 percent by count in 2002 and 2003, respectively, to small businesses with GARs of under \$100,000.

Table 7

LENDING TO BUSINESSES OF DIFFERENT SIZES – 2002				
Gross Annual Revenue	Number	Number by %	Dollar Volume	Dollar Volume by %
Less than \$100,000	10	23.3	769,614	7.7
\$100,000 to \$250,000	8	18.6	2,739,183	27.2
\$250,001 to \$500,000	2	4.6	152,143	1.5
\$500,001 to \$750,000	5	11.6	772,438	7.7
\$750,001 to \$1,000,000	4	9.3	707,086	7.0
Subtotal	29	67.4	5,140,464	51.1
Over \$1,000,000	14	32.6	4,918,306	48.9
Total	43	100.0	10,058,770	100.0

Source: Bank Data

Table 8

LENDING TO BUSINESSES OF DIFFERENT SIZES – 2003				
Gross Annual Revenue	Number	Number by %	Dollar Volume	Dollar Volume by %
Less than \$100,000	47	27.6	2,324,614	11.4
\$100,000 to \$250,000	41	24.1	4,774,512	23.5
\$250,001 to \$500,000	20	11.8	2,801,142	13.8
\$500,001 to \$750,000	13	7.6	1,185,417	5.8
\$750,001 to \$1,000,000	12	7.1	748,685	3.7
Subtotal	133	78.2	11,834,370	58.2
Over \$1,000,000	37	21.8	8,484,650	41.8
Total	170	100.0	20,319,020	100.0

Source: Bank Data

GEOGRAPHIC DISTRIBUTION

Bank of Astoria’s geographic distribution of loans reflects a reasonable penetration in the different block numbering area income levels throughout its assessment area. No conspicuous gaps in the geographic distribution of loans were noted.

Table 9 illustrates the bank’s 2002 and 2003 distribution of business loans by number in the bank’s assessment area by block numbering area income levels. For comparison, the distribution of 2002 businesses by block numbering areas within the assessment area is also shown.

The bank’s business lending in 2002 is relatively consistent with the demographic information on business locations by block numbering areas. The D & B information for 2002 indicated that 4.5 percent of the assessment area’s businesses are in moderate-income block numbering areas. However, for 2002, the bank did not originate any business loans in the moderate-income

geographies. As illustrated in Table 9, the bank's performance improved in 2003 to levels consistent with the listed demographic information.

Table 9

Distribution of Business Loans by Income Category of Block numbering area – Count Totals						
Block Numbering Area Income Level	Business location by Block Numbering Area *		Bank's Lending Performance			
	2002	2003	2002 **		2003 **	
	%		#	%	#	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	4.5	0.0	0	0.0	0	0.0
Middle	79.8	92.6	35	81.4	155	91.2
Upper	15.7	7.4	8	18.6	15	8.8
Total	100.0	100.0	43	100.0	170	100.0

Source: () - D&B 2002 & 2003 Data
(**) – Bank Data*

RESPONSE TO CRA-RELATED COMPLAINTS

A review of FDIC records, as well as the bank's CRA Public File, did not reveal any CRA-related complaints since the previous evaluation.