

## Two Area Banks Report Record 3rd Qtr Earnings

by Bend Weekly News Sources

Cascade Bancorp and Community First Bank announced Thursday record-breaking performances with the release of their 2006 third quarter results.

Robin B. Freeman, President & CEO of Prineville Bancorporation, the parent company for Community First Bank stated, "I am pleased to report that all of the effort we put forth to be positioned as Central Oregon's only real community bank is being met with interest from individuals and businesses throughout the region. We are committed to re-investing 100% of our local deposits right back here in Central Oregon. That strategy, along with increasing and upgrading our branch presence, adding new and improved products and continuing to add high quality team members are the primary drivers for this sixth consecutive record breaking performance. As a result net income for the third quarter of 2006 was \$432,000 (or \$0.46 per share), an increase in net income of 16.4% over the previous quarter and an increase of 41.6% the same quarter last year. Year-to-date net income for the third quarter of 2006 was \$1.13 million (or \$1.20 per share). Other highlights for the third quarter of 2006 include:

Total assets were \$167.1 million as of September 30, 2006.

Total assets increased 22.5% from one year ago (September 30, 2005).

Deposits were \$143.7 million as of September 30, 2006.

Deposits increased 24.5% from one year ago.

Gross loans were \$129.3 million as of September 30, 2006.

Gross loans increased 27.7% from one year ago.

Executive Vice President and Chief Financial Officer, John Hajovsky commented, "Through the first three quarters of 2006 we have already exceeded 2005 year-end earnings and looking forward the bank is well positioned for continued earnings growth."

Robert Berman, the bank's new Executive Vice President in charge of business development, sales and marketing added, "In addition to the branch and team member growth, and our continued commitment to re-invest 100% of local deposits back into this market exclusively, we also believe we can attribute our progress to re-investing and being involved in the communities in which we serve. In the third quarter alone we launched the regional Boys & Girls Clubs Corporate Challenge (designed to raise nearly \$300,000 to support that organization), treated over 10,000 Central Oregonians to a free family concert at the Deschutes County Fair, sponsored numerous local traditional summer events and hosted our customer appreciation day open houses. Details about all of our past and upcoming community involvement contributions and activities can be found on our website at [www.MyCommunityFirst.com](http://www.MyCommunityFirst.com)."

ABOUT PRINEVILLE BANCORPORATION:

Prineville Bancorporation is the holding company for Community First Bank. The bank operates six branches located in Prineville, Bend, Redmond, La Pine, Terrebonne and Madras; two loan offices -- Community First Commercial Loan Group, located in Bend, and Community First Bank loan center, located in Redmond. In addition investment services are offered through Community First Investments.

Cascade Bancorp ("Cascade") also announced record earnings for the third quarter of 2006 of \$.46 per share (diluted) up 29.4% compared to the year ago quarter and well above the immediately preceding quarter of \$.41. The third quarter results reflect the first full quarter of combined operations with the former Farmers and Merchants State Bank (F&M) of Idaho which Cascade acquired on April 20, 2006. With strong loan growth driving higher net interest income, Cascade reported net income for the quarter at \$10.5 million, a 70.4% increase from the year ago quarter and as compared to \$9.0 million in the immediately preceding quarter. The current quarter results include a \$.6 million pretax gain on sale of investments or approximately \$.02 per share. Organic loan growth was 23.6% on a linked-quarter basis (annualized), with both the Oregon and Idaho regions increasing at double digit levels. As expected, deposit growth was flat for the third quarter due to deposit runoff of higher priced funds related to the F&M (Idaho) acquisition.

Return on equity was 17.03% for the third quarter compared to 17.14% for the prior quarter and down from 25.78% a year ago due to higher average equity account balances arising from the issuance of stock to acquire F&M. Return on tangible equity (equity net of goodwill and intangible assets) was 32.52% for the quarter. Meanwhile, return on assets for the current quarter increased to 1.91% compared to 1.84% in the preceding quarter. The net interest margin eased to 5.71% from 5.81% in the preceding quarter and as compared to 5.65% in the year ago quarter (see net interest margin discussion below).

"We are seeing solid loan demand despite moderating real estate markets," said Patricia L. Moss, president and CEO. "It is a unique feature of Cascade's fast growth markets that steady population in-migration should help mitigate the effects of the current nationwide slowdown in real estate."

Looking forward, Cascade expects the slowing real estate market may continue to moderate loan demand. Management also projects a gradual easing of the net interest margin due to competitive pricing pressures and

relatively flat yield curve.

#### LOAN GROWTH AND CREDIT QUALITY:

As of September 30, 2006, Cascade's total loans stood at \$1.9 billion, up 83.3% from the year ago period reflecting the combination with F&M as well as organic loan growth in both Oregon and Idaho markets. On a linked quarter basis, loans continued strong up over 23% on an annualized basis. Regionally, Oregon loan balances increased approximately \$62 million or 20.5% (annualized) pace during the quarter. In Idaho, F&M loan volumes increased at an annualized pace of 30.1% between June 30, 2006 and September 30, 2006, reflecting the underlying strength of the greater Boise economy as well as the benefit of higher lending limits arising from the acquisition. Over one-half of Cascade's aggregate loan growth during the quarter was Commercial and CRE loans, the balance being construction and development loans. Approximately 66% of Cascade's overall loan portfolio is real estate related, reflecting the economic base in markets served.

Cascade's loan credit quality profile remained very positive with delinquent loans greater than 30 days past due at only .09% of total loans compared to .20% at June 2006 quarter end, while net loan charge-offs for the quarter were only .08% (annualized) of total loans. The loan loss reserve for loans and loan commitments stood at a prudent 1.39% of outstanding loans at quarter end, compared to 1.37% for the preceding quarter and modestly lower than a year ago level of 1.45% due to improving credit metrics over the course of the past 12 months. With continuing loan growth, Cascade's provision for loan losses increased to \$2.2 million for the third quarter, up from \$1.2 million in the preceding quarter and \$1.1 million in the year ago period. Management believes the reserve is at an appropriate level under current circumstances and prevailing economic conditions.

#### DEPOSIT GROWTH:

Total deposits stood at \$1.6 billion as of September 30, 2006, up 41.3% from the year ago period largely due to the combination with F&M. On a linked quarter basis, total deposits were essentially flat, with Oregon banking region deposits up modestly from June levels. Management believes that the seasonal lift in deposits historically experienced in Oregon markets during the summer may have been mitigated somewhat by factors related to moderating real estate activity. Meanwhile, Idaho region deposits (F&M) declined \$25 million from the preceding quarter as a result of the expected runoff in higher priced deposits related to the acquisition. Cascade replaced this runoff with a combination of wholesale borrowings and brokered CDs as an interim

strategy until anticipated gains in customer relationship deposits comes to fruition. Management expects these funding trends will remain in place for several quarters. Combined non-interest bearing balances averaged a strong 33.2% of total deposits during the third quarter.

#### NET INTEREST MARGIN AND INTEREST RATE RISK:

As expected, Cascade reported an easing of its net interest margin (NIM) to 5.71% for the third quarter of 2006, compared to 5.81% for the preceding quarter. This trend is largely a result of higher overall cost of funds caused by ongoing competitive deposit pricing pressures as well as increasing use of borrowed funds priced at national market levels.

Yields on earning assets during the third quarter of 2006 improved to 8.22% as compared to 7.95% in the immediately preceding quarter and 6.97% in the year ago quarter. The average cost of funds paid on interest-bearing liabilities for the third quarter of 2006 was 3.64% as compared to 3.05% in the preceding quarter and 2.24% a year ago. The overall cost of funds (including interest bearing and non-interest bearing) for the third quarter was 2.55%, as compared to 2.12% in the immediately preceding quarter and 1.36% for the year ago period. Looking forward, management expects the net interest margin to continue to ease as a result of ongoing competitive pricing pressures and persistent flat yield curve.

The margin can also be affected by factors beyond market interest rates, including loan or deposit volume shifts and/or aggressive rate offerings by competitor institutions. Cascade's financial model indicates a relatively stable interest rate risk profile within a reasonable range of rate movements around the forward rates currently predicted by financial markets. Because of its relatively high proportion of non-interest bearing funds, Cascade's NIM is most adversely affected in the unlikely event Federal Funds rate falls to a very low level. See cautionary "Forward Looking Statements" below and Cascade's Form 10-K report for further information on risk factors including interest rate risk.

#### NON-INTEREST INCOME AND EXPENSE:

Total non-interest income was up 65.7% compared to the year ago quarter. Excluding the third quarters' \$.6 million gain on sale of investments, non-interest income increased 19.2% when compared to the immediately preceding quarter. This linked quarter increase is mainly due to the inclusion of F&M for the entire third quarter, whereas the preceding quarter included F&M for only a partial quarter (April 20 acquisition date through June 30).

Residential mortgage originations eased during the quarter ended September 30, 2006 to \$50.4 million, compared to \$53.8 million in the immediately preceding quarter and \$47.9 million originated in the year ago quarter. At September 30, 2006, Cascade serviced approximately \$496 million in mortgage loans for customers. The related carrying value of mortgage servicing rights was at 0.85% of serviced loans, compared to a fair value estimate of 1.12% of serviced loans.

Non-interest expense was 70.4% above the same quarter in 2005, reflecting the inclusion of ongoing F&M costs for the entire third quarter of 2006. Total non-interest expense was \$14.7 million for the current quarter compared to \$13.6 million in the preceding quarter when only a portion of F&M expenses were included. Going forward management expects non-interest expense to gradually increase as it adds staff appropriate to support Cascade's infrastructure and ongoing growth goals.

#### ABOUT CASCADE BANCORP:

Cascade Bancorp (headquartered in Bend, Oregon) and its wholly-owned subsidiary, Bank of the Cascades, operates in Oregon and Idaho markets. In terms of banking growth markets, Cascade ranks as the top community bank footprint in the Northwest and among the top three banks in the nation\*. Cascade has a business strategy that focuses on delivering the best in community banking for the financial well-being of customers and shareholders. The Bank implements its strategy by combining outstanding service, competitive financial products, local expertise and advanced technology applied for the convenience of customers.

Founded in 1977, Bank of the Cascades offers full-service community banking through 33 branches in Central Oregon, Southern Oregon, Portland/Salem and Boise/Treasure Valley. The Bank has been rated among the top performing banks in the nation for the eighth consecutive year by Independent Community Bankers of America, as well as in rankings by US Banker Magazine. The Bank was among the top 20 "Best Companies to Work For" in the March 2006 Oregon Business Magazine.

*Two Area Banks Report Record 3rd Qtr Earnings by Bend Weekly News Sources*