



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 05, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Summit National Bank
Charter Number: 18154

133 Main Street
Hulett, WY 82720-0000

Office of the Comptroller of the Currency

SALT LAKE CITY Field Office
2795 E. Cottonwood Parkway, Suite 390
Salt Lake City, UT 84121

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 CRA RATING: This institution is rated Satisfactory.

State Name: Wyoming

Rating: Satisfactory

State Name: Montana

Rating: Satisfactory

The bank’s overall rating is a blend of the state ratings for Wyoming (WY) and Montana (MT). The major factors that support the Satisfactory rating are:

- A majority of Summit National Bank’s (SNB) loans originations during the evaluation period are within the banks assessment area (AA).
- SNB’s loan-to-deposit ratio (LTD) is reasonable in comparison to similarly situated banks in WY and MT.
- The bank’s pattern of lending to farms and businesses of different revenue sizes reasonably reflects area demographics.
- There have been no consumer complaints regarding SNB’s Community Reinvestment Act (CRA) performance.

Scope of Examination

This Performance Evaluation of SNB assesses the bank’s record of meeting the credit needs of the communities in which it operates. We evaluated SNB’s CRA performance under the Lending Test using Small Bank CRA procedures.

The bank’s overall rating is a blend of the state of WY rating and the state of MT rating. The state of WY AA encompasses three WY counties (Crook County, Washakie County, and Carbon County) and the State of MT AA encompasses one MT county (Carter County). See the respective sections for a full description of each AA. Both AAs received a full-scope review.

The evaluation period covers loans originated from January 1, 2009 through September 30, 2011. During the evaluation period, SNB acquired a bank in Ekalaka, MT. SNB did not have a presence in MT prior to the acquisition on August 28, 2009. Therefore, for the state of MT, the evaluation period covers loans originated from August 28, 2009 through September 30, 2011. The following table depicts the volume of loans originated during the evaluation period.

Table 1 – SNB Loan Originations During Evaluation Period		
Loan Type	Volume by Number	Volume by Dollar
Agricultural	41%	58%
Commercial	20%	20%
Consumer	32%	6%
Residential	3%	4%

Other	4%	12%
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For the purposes of the evaluation, the primary loan types are agricultural loans and commercial loans. These two products represent 61% by number and 78% by dollar volume of loans originated. To evaluate the bank’s lending performance, we selected a sample of agricultural and commercial loans from each AA that were originated during the respective evaluation period for each AA.

An analysis of the geographic distribution of loans was not performed. All geographies within the AAs are designated as middle-income. Therefore, an analysis would not have been meaningful.

Description of Institution

Summit National Bank is a community bank operating in Wyoming, Montana, and Idaho. Summit National Bank originated as Hulett National Bank in 1984. In 2004, Hulett National Bank unified the names of branches to become known as Summit National Bank. In 2009, the bank acquired First National Bank of Ekalaka, located in Ekalaka, MT. In 2010, the bank opened a loan production office (LPO) in Salmon, Idaho (ID). The LPO was converted to a full service branch in November 2011. Bank branches are located in Ten Sleep, WY; Baggs, WY; Ekalaka, MT; and Salmon, ID. The branch in Salmon, ID was not included in this evaluation as it was converted to a branch following the evaluation period.

As of September 30, 2011 SNB had \$74 million in total assets. SNB’s business focus is to provide a variety of credit and deposit services to support the needs of agricultural producers, small businesses, and consumers located within the AA’s.

SNB does not have any financial or legal impediments that prevent it from meeting the credit needs of the AAs. The prior Community Reinvestment Act Performance Evaluation dated May 10, 2004, resulted in an "Outstanding" rating.

SNB is responsive to the needs of the communities it serves as identified through community contacts. We conducted a community contact with a local small business development organization to assess whether financial institutions address the credit and service needs of the community. The community contact indicated the agricultural needs of the community were being met; however, the need for affordable housing continues to exist in the community. Overall, the contact indicated that the financial institution was active in supporting the credit needs of the community.

Please refer to the bank’s *CRA Public File* for more information.

Conclusions with Respect to Performance Criteria

Lending in Assessment Area

Lending within the AA is reasonable. A majority of loans by number and dollar volume

are originated within the bank’s combined AAs. Approximately 64% by number and 67% by dollar volume were made to borrowers within the bank’s AAs during the evaluation period. The table below shows loans originated inside the AAs by number and dollar volume.

Table 2 - Lending in SNB’s AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	40	77	12	23	52	4,793	78	1,315	22	6,108
Commercial	32	53	28	47	60	1,976	49	2,032	51	4,008
Totals	72	64	40	36	112	6,769	67	3,347	33	10,116

Source: Loan Sample

Loan-to-Deposit Ratio

SNB’s average LTD ratio is reasonable given the bank’s size, financial condition, and the AA’s credit needs. As of September 30, 2011, SNB’s LTD ratio is 70%. Over the past 20 quarters since the last CRA examination, the bank’s quarterly LTD ratio averaged 76% and ranged from 59% to 90%. The quarterly average of four other similarly situated banks over the same time period ranged from a high of 82% to a low of 43%, with an average of 63%.

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.

State Ratings

State of Wyoming

CRA Rating for Wyoming: Satisfactory

Description of Assessment Area

SNB has three AAs within the state of WY. AAs in the state of WY include: Crook County AA, Washakie County AA, and Carbon County AA. These AAs combined contain 10 CTs, all of which are middle-income geographies. Each AA within the state of WY is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income geographies. For the purpose of this evaluation, the three WY AAs were combined and evaluated as the WY AA.

Based on loans originated during the assessment period, the primary products in the WY AA are agricultural and commercial loans. Using only loans originates within the WY AA, we reviewed a sample of 20 agricultural and 20 commercial loans originated from January 1, 2009 through September 30, 2011.

Competition from other financial institutions is strong. According to the FDIC Insured Institutions Deposit Market Share Report, ten financial institutions have a presence in the WY AA, with nineteen offices throughout Crook ,Washakie, and Carbon Counties. FDIC market share data as of June 30, 2011 indicates SNB's statewide deposits total \$35,322 million, which equates to approximately a 5% market share. SNB has three branches in the state of WY, representing 75% of the bank's total branch network.

According to the 2000 U.S. Census Data, the total population of this AA is 29,815. Approximately 21% of the families were classified as low-income, 20% as moderate-income, 24% as middle-income, and 35% as upper-income. The 2000 U.S. Census Data indicates 13% of families in this AA live below the poverty level.

Business Geodemographic Data for 2011 shows 4,009 businesses in the WY AA: 2,654 (66%) have revenues of \$1 million or less, 90 (2%) have revenues over \$1 million, and 1,268 (32%) did not report revenues. Geodemographic Data shows 309 farms in the WY AA: 300 (97%) have revenues of \$1 million or less, 2 (1%) have revenues over \$1 million, and 7 (2%) did not report revenues.

Lending to Farms and Businesses of Different Sizes

SNB's lending to farms and business of different sizes reflects reasonable penetration in this AA.

Farm Loans

The distribution of the bank's loans to farms of different sizes is reasonable. The percentage of loans to farms with revenues of \$1 million or less is near the market demographic by both number of loans and dollar amount of loans extended to

borrowers within the AA. The following table shows the bank’s borrower distribution for farm loans.

Table 3 - Borrower Distribution of Loans to Farms in Wyoming AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97	1	2	100%
% of Bank Loans in AA by #	85	0	15	100%
% of Bank Loans in AA by \$	93	0	7	100%

Source: Loan Sample and 2011 Business Geodemographic Data

Business Loans

The distribution of the bank’s loans to small businesses is reasonable. The percentage of loans to businesses with revenues of \$1 million or less exceeds the market demographic by both number of loans and dollar amount of loans extended to borrowers in the AA. The following table shows the bank’s borrower distribution for business loans.

Table 4 - Borrower Distribution of Loans to Business in Wyoming AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	66	2	32	100%
% of Bank Loans in AA by #	95	0	5	100%
% of Bank Loans in AA by \$	86	0	14	100%

Source: Loan Sample and 2011 Business Geodemographic Data

Due the significant percentage of businesses that did not report revenue information (identified as “unavailable/unknown” in the above table), we performed an additional analysis of SNB’s business loan portfolio using loan size as a proxy for revenue. This analysis assumes that smaller businesses would request smaller loans.

A sample of 20 business loans originated in the WY AA showed 85% were in amounts of \$100 thousand or less. The following table shows the distribution of business loans by loan size.

Table 5 - Borrower Distribution of Loans to Businesses by Loan Size in Wyoming AA				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	17	85%	\$500,353	54%
\$100,001 - \$250,000	3	15%	\$432,404	46%
\$250,001 - \$500,000	0	0%	\$0	0%
\$500,001 - \$1,000,000	0	0%	\$0	0%
Over \$1,000,000	0	0%	\$0	0%

Source: Loan Sample

Responses to Complaints

The bank has not received any CRA related complaints during the evaluation period.

State of Montana

CRA Rating for Montana: Satisfactory

Description of Assessment Area

SNB has one AA in the state of MT. The AA includes all of Clark County and consists of one middle-income CT. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income geographies. For the purposes of this evaluation, the Clark County AA is referred to as the MT AA.

SNB added this AA during the evaluation period due to an acquisition. The evaluation period for the MT AA was from August 28, 2009 through September 30, 2011. Therefore, SNB had a smaller number of loan originations in this AA compared to the WY AA. Based on loans originated during the evaluation period, the primary products in the MT AA are agricultural and commercial loans. Using only loans originated within the MT AA, we reviewed a sample of 20 agricultural loans originated during the evaluation period and reviewed all commercial loans originated during the evaluation period.

Competition from other financial institutions is limited. According to the FDIC Insured Institutions Deposit Market Share Report, the local area has no other financial institutions. SNB's deposits in the MT AA total \$29,296, or 100% of the market share. SNB has one branch in the state, representing 25% of the bank's total branch network.

According to the 2000 U.S. Census Data, the total population of this AA is 1,360. Approximately 28% of the families were classified as low-income, 20% as moderate-income, 25% as middle-income, and 28% as upper-income. The 2000 U.S. Census Data indicates 19% of families in this AA live below the poverty level.

Business Geodemographic Data for 2011 shows 190 businesses in the MT AA: 99 (52%) have revenues of \$1 million or less, 3 (2%) have revenues over \$1 million, and 88 (47%) did not report revenues. Geodemographic Data shows 89 farms in the MT AA. All farms in the MT AA have revenues of \$1 million or less.

Lending to Farms and Businesses of Different Sizes

SNB's lending to farms and business of different sizes reflects reasonable penetration in this AA.

Farm Loans

The distribution of the bank's loans to farms of different sizes is reasonable. The percentage of loans to farms with revenues of \$1 million or less is near the market demographic by both number of loans and dollar amount of loans extended to borrowers within the AA. The following table shows the bank's borrower distribution for farm loans.

Table 6 - Borrower Distribution of Loans to Farms in Montana AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100	0	0	100%
% of Bank Loans in AA by #	85	0	15	100%
% of Bank Loans in AA by \$	97	0	3	100%

Source: Loan Sample and 2011 Business Geodemographic Data

Business Loans

The distribution of the bank’s loans to small businesses is reasonable. The percentage of loans to businesses with revenues of \$1 million or less exceeds the market demographic by both number of loans and dollar amount of loans extended to borrowers in the AA. The following table shows the bank’s borrower distribution for business loans.

Table 7 - Borrower Distribution of Loans to Business in Montana AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	52	2	46	100%
% of Bank Loans in AA by #	58	0	42	100%
% of Bank Loans in AA by \$	91	0	9	100%

Source: Loan Sample and 2011 Business Geodemographic Data

Due the significant percentage of businesses that did not report revenue information (identified as “unavailable/unknown” in the above table), we performed an additional analysis of SNB’s business loan portfolio using loan size as a proxy for revenue. This analysis assumes that smaller businesses would request smaller loans.

A sample of 12 business loans originated in the MT AA showed 75% were in amounts of \$100 thousand or less. The following table shows the distribution of business loans by loan size.

Table 8 - Borrower Distribution of Loans to Businesses by Loan Size in Montana AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	9	75%	\$301,064	29%
\$100,001 - \$250,000	2	17%	\$375,100	36%
\$250,001 - \$500,000	1	8%	\$367,198	35%
\$500,001 - \$1,000,000	0	0%	\$0	0%
Over \$1,000,000	0	0%	\$0	0%

Source: Loan Sample

Responses to Complaints

The bank has not received any CRA related complaints during the evaluation period.