



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 3, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

United Banks, National Association
Charter Number: 15091

3 South Woodard
Absarokee, MT 59001

Office of the Comptroller of the Currency

ADC – Montana, Wyoming, Idaho & Utah
490 North 31st Street, Suite 220
Billings, Montana 59101

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.

The major factors supporting the institution's rating are as follows:

- United Bank, National Association's (UBNA) average loan-to-deposit ratio is more than reasonable.
- A majority of loans originated during the review period were from within UNBA's assessment area.
- The bank's record of lending to borrowers of different incomes and farms of different sizes reflects reasonable penetration in the bank's assessment area.

SCOPE OF EXAMINATION

The evaluation period for this examination is May 27, 2003 to November 3, 2008. We used small bank procedures to evaluate the bank's performance under the Community Reinvestment Act (CRA) in its assessment area. The bank's primary lending products are home loans and small farm loans. By dollar amount, these two products account for 72 percent of the bank's loan portfolio. To assess the bank's lending performance, we reviewed a sample of 40 home loans and 20 farm loans in the Stillwater County assessment area. Our samples represented loan originations between January 1, 2005 and December 31, 2007.

UBNA opened an office in Laurel, Montana, in June of 2007. This office is located in Yellowstone County and serves the census tract where Laurel is located along with two census tracts in Carbon County. This location was open for only a small portion of the assessment period, and there was insufficient loan volume to provide a minimum loan sample in any loan category. Therefore, we did not evaluate lending performance in the Laurel/Carbon assessment area in this evaluation because lending volume would not be representative of the bank's lending performance during the assessment period. Our conclusions are based on lending performance in the Stillwater County assessment area.

DESCRIPTION OF INSTITUTION

UBNA is a community bank operating in rural, south-central Montana. The bank is wholly-owned by Absarokee Bancorporation, a one-bank holding company. UBNA is headquartered in Absarokee, Montana, and has offices in Columbus and Laurel, Montana. The bank owns seven ATMs located in Absarokee, Columbus, Park City, Reed Point and Joliet, Montana.

As of June 30, 2008, UBNA has total assets of \$74 million and gross loans of \$51 million. The bank provides traditional banking products and services to meet its assessment areas' needs. UBNA's primary lending products are home loans and farm

loans.

The following table shows the breakdown of loans originated and purchased between January 1, 2005, and December 31, 2007.

Loan Type	% by Number of Loans Originated/Purchased during evaluation period		% by Dollars of Loans Originated/Purchased during evaluation period	
	# Loans	%	\$ Amount (000s)	%
Home Loans	259	28	17,540	38
Consumer Loans	314	34	2,817	6
Business Loans	160	17	9,872	21
Farm Loans	191	21	15,680	34
Other Loans	4	0	235	1
Total	691	100	28,771	100

Source: Bank Reports.

UBNA's last CRA examination was performed as of May 27, 2003, and resulted in a "Satisfactory" rating. There are no financial or legal impediments that prevent UBNA from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The Stillwater County Assessment Area includes all of Stillwater County. This designation consists of whole and contiguous geographies and meets the requirements of the regulation. The assessment area does not arbitrarily exclude any low- or moderate-income areas. The assessment area has three middle-income census tracts and one upper-income census tract. The assessment area has no low- or moderate-income census tracts. According to the 2000 U. S. Census, the population of Stillwater County is 8,195. Approximately 12 percent of AA families are low-income, 15 percent are moderate-income, 26 percent are middle-income, and 47 percent are upper-income. In Stillwater County, 9 percent of households are below poverty level. The weighted average updated median family income in Montana non-MSAs is \$48,900. The unemployment rate for 2006 was 2.6 percent. The local economy is stable. Major employers in the county include the Stillwater Mining Corporation, the school districts, and county governments.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the previous CRA examination dated May 27, 2003. We used loan and income data from loan files and assessment area demographic data from the 2000 U. S. Census. We selected samples from the real estate and agricultural loan portfolios to evaluate the bank's lending performance in the assessment area.

Loan-to-Deposit Ratio

UBNA’s lending level is more than reasonable given the financial institution’s size, financial condition, and the AA’s credit needs. UBNA’s average quarterly loan-to-deposit ratio for all quarters since the prior CRA public evaluation dated May 27, 2003, is 88 percent. The bank’s loan-to-deposit ratio compares favorably with six similarly situated banks operating in Montana. These banks had loan-to-deposit ratios during the same time period averaging 77 percent. The similarly situated banks’ average loan-to-deposit ratios fell within a range of 102 percent on the high side and 49 percent on the low side.

Lending in Assessment Area

UBNA makes a majority of its loans within its assessment area. Based on our samples of 40 home loans and 20 farm loans in the Stillwater County assessment area, UBNA originates 82 percent of its loans by number and 93 percent by dollar amount within its assessment area.

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

The overall borrower distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable. The bank’s lending penetration to home purchase borrowers in different income categories and farms of different sizes meets the standard for satisfactory performance.

UBNA’s distribution of home loans compared to the percentage of assessment area low- or moderate-income households is favorable compared to assessment area demographics and exceeds the standard for satisfactory performance. Based on our sample, the bank originates 8 percent of its home loans to low-income households compared to assessment area demographics of 12 percent low-income households. This is mitigated by the fact that it is more difficult for low-income households to qualify for home loans. UBNA originates 17 percent of its home loans to moderate-income households, which compares favorably to assessment area demographics of 15 percent moderate-income households. We obtained the demographic information from the 2000 United States Census.

Borrower Distribution of Residential Real Estate Loans in the Stillwater County AA								
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	12.96	2.06	15.44	10.31	24.16	24.74	47.44	62.89

Source: Assessment Area (AA) data from 2000 U.S. Census data. Bank data from home loan sample of loans originated January 1, 2005, to December 31, 2007.

The distribution of loans to farms of different sizes is reasonable. The percentage of

UBNA’s loans to farms with revenues of \$1 million or less is 92 percent by number and 91 percent by dollar amount, which is near the demographic comparator of 98 percent.

Borrower Distribution of Loans to Farms in the Stillwater County AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.52%	2.48%	0.00%	100%
% of Bank Loans in AA by #	92.31%	7.69%	0.00%	100%
% of Bank Loans in AA by \$	90.98%	9.02%	0.00%	100%

Source: AA data from 2007 Dunn and Bradstreet. Bank data from farm loan sample of loans originated January 1, 2005, to December 31, 2007.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not applicable as the assessment areas have no low- or moderate income census tracts.

Responses to Complaints

The bank has not received any complaints regarding CRA performance.

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.