



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 29, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of the Rockies, National Association
Charter Number 3375

205 West Main Street
White Sulphur Springs, MT 59645

Office of the Comptroller of the Currency

490 North 31st Street, Suite 220
Billings, MT 59101-1256

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

- A majority of Bank of the Rockies, National Association’s (BRNA) loans originated during the evaluation period are within the bank’s assessment area (AA).
- BRNA’s loan-to-deposit ratio (LTD) is reasonable in comparison to similarly situated banks in Wyoming (WY).
- The distribution of loans to borrowers of different incomes and farms of different sizes is satisfactory.
- BRNA’s geographic distribution of loans in the AA is satisfactory.
- There have been no consumer complaints regarding BRNA’s Community Reinvestment Act (CRA) performance during the evaluation period.

SCOPE OF EXAMINATION

This Performance Evaluation of BRNA assesses the bank’s record of meeting the credit needs of the communities in which it operates. We evaluated BRNA’s CRA performance under the Lending Test using Small Bank CRA procedures. This evaluation covers the period from the date of the previous CRA examination, August 28, 2007, through October 29, 2012.

The evaluation period for the lending test covers loans originated from January 1, 2010 through October 29, 2012. For the purposes of the evaluation, the primary loan types are agricultural loans and consumer loans. These loan products represent 62% by number and 34% by dollar volume of loans originated during the evaluation period. The following table shows the volume of loans originated during the evaluation period.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Agricultural Loans	31%	21%
Consumer Loans	3%	41%
Residential Real Estate Loans	36%	25%
Business Loans	30%	13%
Total	100%	100%

DESCRIPTION OF INSTITUTION

BRNA is a community bank headquartered in White Sulphur Springs, Montana. BRNA is 100% owned by Countricorp. The bank operates branches in Clyde Park, Emigrant, Livingston, Lewistown, and Helena, Montana. In addition, BRNA operates loan

production offices in Bozeman, Montana and Parker, Colorado. The bank operates six automated teller machines. ATMs are located at, or near, each branch location. The White Sulphur Springs' branch and ATM are located in a moderate-income census tract (CT). The current local economy for the AA is characterized as slowly improving. The local economy is heavily influenced by agriculture.

As of September 30, 2012, BRNA had total assets of \$125 million, with net loans representing 55% of total assets. The bank's current primary focus is agriculture and commercial lending. By dollar amount, the loan portfolio consisted of 81% real estate loans, 10% consumer loans, 7% business loans, and 2% agricultural loans.

There were no acquisition or merger activities during the evaluation period. BRNA's ability to lend in its AA has been impacted by the terms of a formal enforcement action with its primary regulatory agency; however, this did not have an impact on the overall Lending Test rating. The prior CRA Performance Evaluation dated August 28, 2007, resulted in a "Satisfactory" rating.

BRNA is responsive to the needs of the communities it serves as identified through community contacts. Our community contact outreach discussions were held with two state-wide organizations that serve the institution's AA. Both contacts stated that while financial institutions have implemented stricter underwriting guidelines as a result of the recent recession, financial institutions have been good to work with and have contributed to their organizations. Community contacts identified the need for investments and donations for local non-profits. They also indicated that low and moderate income individuals and families have credit needs that cannot always be met. Please refer to the bank's *CRA Public File* for more information.

DESCRIPTION OF ASSESSMENT AREA

BRNA's AA includes all of Maegher County, Park County, Fergus County, Judith Basin County, and Lewis and Clark County. The assessment area consists of three moderate-income CTs, fourteen middle-income CTs, six upper-income CTs, and one CT where the income level is unknown. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

Competition from other financial institutions is strong. According to the FDIC insured Institutions Deposit Market Share Report, 16 financial institutions have a presence in the AA, with 43 offices throughout BRNA's AA. FDIC market shared data as of June 31, 2012 indicates BRNA's statewide deposits total \$107 million, which equates to a 6% market share.

According to 2010 U.S. Census Data, the total population of this AA is 94,580. Approximately 13% of the families were classified as moderate income, 58% as middle-income, 25% as upper-income, and the income level was unavailable for 4%. The 2010 U.S. Census Data indicates 11% of families in this AA live below the poverty level.

Business Geodemographic Data for 2011 shows 937 farms in the AA: 924 (98%) have revenues of \$1 million or less, 7 (1%) have revenues over \$1 million, and 6 (1%) did not report revenues.

Conclusions with Respect to Performance Criteria

Lending in Assessment Area

A majority of loans by number and dollar volume are originated within the bank’s AA. Approximately 83% by number and 70% by dollar volume were made to borrowers within the bank’s AA during the evaluation period. The table below shows loans originated inside the AA by number and dollar volume.

Lending in BRNA’s AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	20	80%	5	20%	25	\$2,087,000	69%	\$953,595	31%	\$3,040,595
Consumer Loans	20	87%	3	13%	23	\$158,803	88%	\$20,900	12%	\$179,703
Total	40	83%	8	17%	48	\$2,245,803	70%	\$974,495	30%	\$3,220,298

Source: Loan Sample

Loan-to-Deposit Ratio

BRNA’s average LTD ratio is reasonable given the bank’s size, financial condition, and the AA’s credit needs. As of September 30, 2012, BRNA’s LTD ratio is 64%. Over the last 20 quarters, the banks’ quarterly average LTD ratio averaged 76% and ranged from 66% to 86%. The quarterly average of three other similarly situated banks over the same time period ranged from a low of 68% to a high of 81%, with an average of 74%.

Lending to Farms of Different Sizes and Borrowers of Different Incomes

BRNA’s lending to farms of different sizes and borrowers of different income reflects reasonable penetration among individuals of different income levels and farms of different sizes.

Borrower Distribution of Agricultural Loans

The distribution of the bank’s loans to farms of different sizes is excellent. The percentage of loans to farms with revenues of \$1 million or less exceeds the market demographic by both number of loans and dollar amount of loans extended to borrowers within the AA. The bank originated 100% of loans to small farms by both number and dollar amount. The following table shows the bank’s borrower distribution for farm loans.

Borrower Distribution of Loans to Farms in BRNA’s AA
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Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	72%	3%	25%	100.00%
% of Bank Loans in AA by #	100%	0%	0%	100.00%
% of Bank Loans in AA by \$	100%	0%	0%	100.00%

Source: Loan Sample and 2011 Business Geodemographic Data

Borrower Distribution of Consumer Loans

The distribution of the bank’s loans to borrowers of different incomes is reasonable. Lending to low-income borrowers is comparable to demographic information while lending to moderate-income borrowers is slightly below the demographic information. Based on our sample, the bank originated 20% by number to low-income families and 10% by number to moderate-income families. This is considered reasonable given the higher degree of difficulty these borrowers have in qualifying for loans. In this AA, approximately 11% of all households live below the poverty level. The table below displays the borrower distribution of consumer loans as compared to the demographic data.

Borrower Distribution of Consumer Loans in BRNA’s AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Families	% of Number of Loans	% of Number of Loans						
Consumer Loans	20%	20%	15%	10%	20%	30%	45%	30%	10%

Source: Loan Sample and 2010 U.S. Census Data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable penetration in geographies of different income levels, given the demographics of the AA.

Geographic Distribution of Farm Loans

The geographic distribution of loans to farms reflects reasonable dispersion. The bank’s performance is near the demographic comparator for moderate-income CTs. BRNA has no low-income CTs and three moderate-income CTs in its AA. Within the sample selected, the bank originated three farm (12%) loans in moderate-income CTs. Moderate-income CTs include 15% of the total small farms within the bank’s AA. The following table shows the distribution of farm loans among different census tract income levels.

Geographic Distribution of Loans to Farms in BRNA’s AA

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0%	0%	12%	15%	79%	85%	9%	0.00%

Source: Loan Sample and 2011 Business Geodemographic Data

Geographic Distribution of Consumer Loans

The geographic distribution of consumer loans is reasonable. The bank extended 15% of the number of consumer loans to borrowers located in moderate-income CTs. This represents satisfactory penetration given that 13% of AA households are located in moderate-income CTs. The following table shows the distribution of consumer loans among different census tract income levels.

Geographic Distribution of Consumer Loans in BRNA's AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	20%	13%	15%	58%	45%	25%	20%

Source: Loan Sample and 2010 U.S. Census Data

Note: Census Tract information was unavailable for 4.17% of the CTs.

Responses to Complaints

BRNA did not receive any CRA-related complaints during the evaluation period.

Qualified Community Development Services

BRNA employees provided community development services to numerous organizations serving the bank's AA. Bank employees, including executive management, provided 385 hours of service to 7 qualified organizations during the evaluation period. These employees provided technical assistance to entities that support economic development in areas including moderate-income geographies and organizations that provide assistance to LMI individuals. Bank representatives often served in leadership roles, including membership on Boards of Directors.

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.