



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 27, 2012**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Native American Bank, National Association  
Charter Number 21158

999 18th Street, Suite 2460  
Denver, CO 80202-0000

Office of the Comptroller of the Currency

Denver Field Office  
1225 17th Street Suite 450  
Denver, CO. 80202-5534

**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 Outstanding.**

**State Name: Montana      Rating: "Outstanding"**

**State Name: Colorado      Rating: "Satisfactory"**

The overall Community Reinvestment Act ("CRA") rating takes into consideration the ratings in the Montana and Colorado Assessment Areas ("AAs"). The rating is based on Native American Bank's ("NAB" or "the bank") performance in regard to consumer, farm, and small business lending. The major factors that support this rating include:

- Native American Bank (NAB) has a majority of its loans in its AAs.
- The bank's average loan-to-deposit ratio is reasonable in comparison to similarly situated banks.
- The bank's borrower distribution of lending to consumer and small businesses in the Montana AA is excellent, and in the Colorado MSA is reasonable given the bank's target constituency.
- The bank has reasonable penetration in lending to small farms in the Montana AA.
- NAB's geographic distribution within the Montana AA is excellent for consumer, small business, and farms; and within the Denver AA is satisfactory for the limited consumer loan activity demonstrated.
- The bank's record of qualified community development (CD) loans, services, and investments enhances credit availability to the bank's targeted market of Native American individuals, tribes, and corporations. This level of CD activity has a positive impact on the bank's overall CRA performance.

**SCOPE OF EXAMINATION**

The Office of the Comptroller of the Currency ("OCC") completed a full-scope small bank CRA review of NAB. The OCC concluded on the bank's CRA performance in Montana and Colorado by reviewing the bank's average loan-to-deposit ratio since the previous CRA examination and testing the bank's lending inside the AAs. The OCC also tested the bank's borrower income and geographic distribution for the bank's primary products. The OCC reviewed the following primary products: consumer, commercial business, and agricultural loans. We also reviewed NAB's community development lending, services, and investments to Native American tribes, corporations, and tribal members throughout the United States.

**DESCRIPTION OF INSTITUTION**

NAB operates as an interstate bank with offices in Colorado and Montana. As of February 27, 2012, NAB has one branch in Denver, Colorado and one branch in Browning, Montana. In addition, they have a deposit taking ATM and loan production office in Rocky Boy, Montana, and a non-deposit taking ATM in Bethel, Alaska.

In 2001, NAB acquired the Blackfeet National Bank, located on the Blackfeet Indian reservation, where the bank continues to have their full-service branch in Browning, Montana. NAB opened the Denver office in 2006, and while this is a full service office, it primarily serves as the corporate headquarters for NAB and Native American Bancorporation, the one-bank holding company. The holding company is owned by 26 Native American tribes and corporations. NAB's business mission and focus is to assist Native American and Alaskan Native individuals, enterprises, and governments to reach their goals by providing affordable and flexible banking and financial services. NAB's objective is to provide a national bank to serve all Native people, communities, governments, and enterprises across the country.

As of December 31, 2011, total assets equaled \$69 million and net loans to total assets were 75 percent. NAB provides a variety of credit and deposit services to support the needs of agriculture producers, small businesses, and consumers located within the assessment areas, with focus on Native Americans.

By number of loans, the bank's primary loan products are consumer, 1-4 family residential loans, commercial, and agricultural. By dollar amount, the primary products are commercial real estate, leasehold improvement, and commercial loans. This is indicative of NAB's lending patterns, with smaller (but a greater number) loans made to consumers, and larger (but fewer) loans made to tribal entities and corporations.

| <b>Loan Portfolio Composition as of February 13, 2012</b> |                   |                  |
|---|-------------------|------------------|
| Loan Type   | Volume by Numbers | Volume by Dollar |
| Consumer  | 81%               | 8%               |
| 1-4 family Residential*                                   | 5%                | 4%               |
| Commercial/Business                                       | 4%                | 15%              |
| Agricultural  | 4%                | 1%               |
| Commercial RE   | 3%                | 24%              |
| RE Leasehold Imps   | 2%                | 32%              |
| Casinos   | 0.5%              | 5%               |
| Other RE  | 0.3%              | 9%               |

\*The bank stopped providing direct 1-4 family residential loans in 2008. Accordingly, we do not consider 1-4 family lending as a primary product.

While the bank no longer offers 1-4 family residential loans, they did originate 13 residential loans during the evaluation period of which 63 percent were to low-income individuals and 23 percent were to moderate-income individuals. Additionally, since the bank stopped originating home loans, they provide access to alternate Native American home ownership loans through the Department of Housing and Urban Development's (HUD) Section 184 program.

The prior Community Reinvestment Act Performance Evaluation was dated July 11, 2005, resulted in an "Outstanding" rating. Our analysis of the bank's CRA performance included a loan sample of consumer loans, commercial, and agricultural loans originated since the last CRA examination. This CRA evaluation period included loans made from July 2005 to February 2012.

The bank has certain loan portfolio restrictions. However, there are no legal impediments or other factors preventing the bank from lending in its AA.

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

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

**The bank's average loan-to-deposit (LTD) ratio is reasonable in comparison to similarly situated banks.**

Similarly situated banks are those banks of similar business lines and comparable asset size operating in the state of Montana. We identified six other community banks that have offices within the six Montana counties in NAB's assessment area. Based on this comparison, NAB's loan-to-deposit ratio indicates satisfactory responsiveness to area credit needs. We averaged each bank's loan-to-deposit ratio for the 25 quarters (inclusive) from September 30, 2005 to September 30, 2011. Over that timeframe, NAB's loan-to-deposit ratio average was 89 percent, compared to an average 80 percent for the six similarly situated banks. NAB also was in the high of the range for these similarly situated banks, that showed a low of 35 percent, and a high of 95 percent average loan-to-deposit ratio.

### **Lending in Assessment Area**

**A substantial majority of loans in the loan sample, by number, are inside the bank's AA. By dollar amount of loans, forty-eight percent (excluding four large loans) are within the assessment area. Overall, lending within the assessment area meets the standards for satisfactory performance.**

We sampled 83 loans including 30 consumer loans, 23 commercial loans, and 30 agricultural loans. Seventy-one percent by number, and 15 percent by dollar, were originated within the bank's assessment area.

Lending within the assessment area is considered satisfactory. The loan sample is skewed by four large loans that exceed \$250 thousand each and represent a disproportionate 68 percent of the total dollars in our loan sample. Without these four large loans, the average outstanding loan balance of the other loans in our sample is \$26 thousand. Also, absent these four large loans, 75 percent, by number, and 48 percent, by dollar, were originated within the bank's assessment area. Because a majority of NAB's consumer, commercial, and agricultural loans were small in size, we placed more emphasis on the distribution of loans by number than size.

| <b>Table 1 - Lending in Assessment Areas</b> |                 |      |         |     |       |                          |      |         |     |       |
|--|-----------------|------|---------|-----|-------|--------------------------|------|---------|-----|-------|
| Loan Type                                    | Number of Loans |      |         |     |       | Dollars of Loans (000's) |      |         |     |       |
|  | Inside          |      | Outside |     | Total | Inside                   |      | Outside |     | Total |
|  | #               | %    | #       | %   |       | \$                       | %    | \$      | %   |       |
| Consumer Loans                               | 21              | 70%  | 9       | 30% | 30    | 89                       | 45%  | 107     | 55% | 196   |
| Commercial Loans                             | 8               | 35%  | 15      | 65% | 23    | 170                      | 3%   | 5,348   | 97% | 5,518 |
| Agricultural                                 | 30              | 100% | 0       | 0%  | 30    | 740                      | 100% | 0       | 0%  | 740   |
| Totals                                       | 59              | 71%  | 24      | 28% | 83    | 999                      | 15%  | 5,455   | 85% | 6454  |

Source: Loan sample

## **COMMUNITY DEVELOPMENT**

### **Qualified Investments and Community Development (CD) Services**

NAB also demonstrates an adequate level of CD qualified investments based on their size and financial capacity. NAB made two qualified CD investments during the CRA exam period for a total of \$125,665.

NAB was also responsive to CD needs during the CRA exam period with a total of 144 documented hours to three different organizations. Types of services include affordable housing counseling and originations for the secondary market, economic development, and financial literacy. Through the Native American Community Development Corp. (NACDC), the bank also supports financial literacy, credit counseling, and micro-loans to Native American individuals and small businesses.

Since the bank stopped originating 1-4 family loans for their own bank in 2008, the Denver office has employed a full-time officer to underwrite HUD Section 184 home loans for origination in the secondary market. The Section 184 Indian Home Loan Guarantee Program is a home mortgage specifically designed for American Indian and Alaska Native families, Alaska Villages, Tribes, or Tribally Designated Housing Entities. Section 184 loans can be used, both on and off native lands, for new construction, rehabilitation, purchase of an existing home, or refinance. Since July 2009 when they began offering this service, the bank has underwritten 55 Section 184 loans, totaling \$10.4 million that provided Native American homeownership.

### **Qualified Community Development (CD) Loans**

NAB is a leader in making community development loans to their target market. Through officer and board contacts originated from the Denver office, the bank has originated six community development loans, totaling \$12.7 million that have provided jobs, services, or affordable housing to Native American tribes. These loans have been used to provide affordable housing (\$5.4 million), a water treatment facility that provides drinkable water (\$6.3 million), and a battered women’s shelter (\$1 million) for five tribal organizations across the country.

### **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.

## Montana State Rating

### CRA Rating for Montana: Outstanding

- The borrower distribution of consumer loans within the AA is excellent. NAB's lending to small business is excellent and to small farms is reasonable.
- Geographic distribution of lending to moderate-income tracts (there are no low-income tracts) for consumer, business, and farm loans is excellent.
- There have been no CRA complaints in the Montana AA since the prior examination.

### DESCRIPTION OF MONTANA ASSESSMENT AREA

NAB has designated six contiguous counties in Montana as its primary assessment area. This designated AA includes Glacier, Hill, Liberty, Pondera, Toole, and Chouteau counties in Montana, and wholly includes the Blackfeet and Rocky Boy reservations. This designated AA complies with applicable regulatory requirements and does not arbitrarily exclude any low- or moderate-income (LMI) areas. The total population for the AA is 49,739.

Based on 2000 census data, the Montana AA is comprised of 22 census tracts. This includes one low-income tract, five moderate-income tracts, 13 middle-income tracts, two upper-income tracts, and one tract not applicable. The Department of Housing and Urban Development lists the 2011 updated median family income for this AA as \$55,900, and the 2000 census data indicated 18 percent of households were below poverty level. For the six counties within the Montana AA, unemployment ranges between 3.9 and 11.2 percent based on January 2012 Bureau of Labor Statistics from the U.S. Department of Labor. For that same timeframe, the unemployment rate for Montana is 7.4 percent.

The Browning office of NAB is located on the Blackfeet Indian Reservation. The 2010 census reported a population of 10,405 living on the reservation lands. The Blackfeet Nation has 16,500 registered members. The main community is Browning, which is the seat of tribal government. Unemployment runs very high on the reservation. In 2005, the Bureau of Indian Affairs reported 72 percent unemployment among registered members of the tribe. Among those who were employed that year, 4 percent earned less than the poverty guideline.

The major income source of the Blackfeet reservation is oil and natural gas leases on tribal lands. In 1982, there were 643 producing oil wells and 47 producing gas wells. The reservation also has a significant tourist industry, as it borders Glacier National Park. Other economic activities include ranching and a small lumber industry. Farms located at least partially on the reservation reported a total income of \$9 million in 2002. A total of 354 farms cover 1.3 million acres, the majority of the reservation's land. Most of these farms were family-owned, including the 198 farms, which were owned by

Native Americans. Of the 245,530 acres used for growing crops, only 32,158 acres, or 13 percent, were irrigated.

Also located with the bank's AA is the Rocky Boy Reservation of the Chippewa-Cree Indians. Rocky Boy's Indian Reservation is located in Hill and Chouteau counties in northeastern Montana, about 40 miles from the Canadian border. It has a total land area of 171 square miles, which includes extensive off-reservation trust lands. The population was 3,323 at the 2010 census. The Bureau of Indian Affairs' (BIA) Labor Force Report of 2005 reported 5,656 enrolled members. Its largest community is Box Elder, although a small part of Box Elder extends off reservation land. The major employer on the reservation is either the self-governing Chippewa-Cree Tribe, or Indian Health Services (IHS). Funds originating within the BIA, together with tribal government, provide work for 231 full- and part-time employees. The IHS employs 135 staff within the Rocky Boy Health Board.

There are no other banking offices on the Blackfeet or Rocky Boy Indian reservations. Within the 6-county Montana AA, there are six other banks that compete for deposits, but the other banks are not solely focused on Native American banking services.

We completed one community contact in Browning, Montana. The contact identified small dollar loan programs and commercial credit as the primary credit needs of the community. The contact also indicated the need for increased check cashing and deposit-taking facilities, and opportunities for volunteers to participate in financial literacy efforts.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

**Given the demographics of the AA, the distribution of loans originated reflects an excellent penetration among borrowers of different incomes and businesses and farms of different sizes.**

Consumer Loans

We sampled 20 consumer loans originated in the Montana AA during the evaluation period. The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. The bank's level of consumer loans originated to low-income borrowers significantly exceeded and to moderate-income borrowers meets the demographic data for the AA.

| Table 2B – Borrower Distribution of Consumer Loans in Montana AA |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Borrower 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   | 26%                | 69%                  | 18%                | 15%                  | 19%                | 15%                  | 37%                | 0.0%                 |

Source: Loan sample; U.S. Census data.

Small Business Loans

The penetration in lending to small businesses (businesses with annual gross revenues of less than \$1 million) in the Montana AA was excellent. The distribution of lending exceeds the demographic comparator by number and dollar amount of loans. Additionally, the distribution of loans (by number of loans) to very small businesses shows that 50 percent of the loans were to businesses with gross revenues less than \$250 thousand, and 33% were to businesses with gross revenues less than \$500 thousand.

| <b>Table 2A - Borrower Distribution of Loans to Businesses in Montana AA</b> |              |              |                     |       |
|--|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales)   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses   | 64.84%       | 2.60%        | 32.56%              | 100%  |
| % of Bank Loans in AA by #   | 100%         | 0%           | 0%                  | 100%  |
| % of Bank Loans in AA by \$  | 100%         | 0%           | 0%                  | 100%  |

Source: Loan sample; Dun and Bradstreet data.

Farm Loans

We sampled 30 agricultural loans originated in the Montana AA during the evaluation period, totaling \$739,797. The distribution of agricultural loans to small farms meets the performance standard. Additionally, the distribution of loans shows that seventy percent or 24 loans, totaling \$520 thousand, were to borrowers with very small farms (revenues less than \$250,000).

| <b>Table 2A – Borrower Distribution of Loans to Farms in Montana AA</b> |              |              |                     |       |
|---|--------------|--------------|---------------------|-------|
| Farm Revenues (or Sales)  | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Farms   | 99%          | 0.57%        | 0.41%               | 100%  |
| % of Bank Loans in AA by #  | 100%         | 0%           | 0%                  | 100%  |
| % of Bank Loans in AA by \$   | 100%         | 0%           | 0%                  | 100%  |

Source: Loan sample; Dun and Bradstreet data.

**Geographic Distribution of Loans**

**The geographic distribution of loans shows excellent dispersion within the assessment area.**

Consumer Loans

The geographic distribution of consumer loans to borrowers in low- to moderate-income tracts is excellent. The bank’s level of consumer loans originated to borrowers in low-income tracts meets and to moderate-income tracts significantly exceeds the demographic data for the AA.

| Table 3B - Geographic Distribution of Consumer Loans in Montana 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   | 1%                 | 0%                   | 28%                | 92%                  | 66%                | 8%                   | 5%                 | 0%                   |

Source: Loan sample; U.S. Census data.

**Small Business Loans**

The geographic distribution of loans to businesses in moderate-income tracts is excellent. The bank’s level of lending significantly exceeds demographic data. There are no low-income tracts.

| Table 3A - Geographic Distribution of Loans to Businesses in Montana AA |                           |                      |                           |                      |                           |                      |                           |                      |
|---|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| Census Tract Income Level   | Low                       |                      | Moderate                  |                      | Middle                    |                      | Upper                     |                      |
|   | % of AA Businesses/ Farms | % of Number of Loans | % of AA Businesses/ Farms | % of Number of Loans | % of AA Businesses/ Farms | % of Number of Loans | % of AA Businesses/ Farms | % of Number of Loans |
| Loan Type   | 0%                        | 0%                   | 25.11%                    | 70%                  | 70.68%                    | 30%                  | 4.21%                     | 0%                   |

Source: Loan sample; U.S. Census data.

**Farm Loans**

The geographic distribution of loans to farms in moderate-income tracts is excellent. The bank’s level of lending significantly exceeds demographic data. There are no low-income tracts.

| Table 3A - Geographic Distribution of Loans to Farms in Montana 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 |
| Agricultural   | 0%            | 0%                   | 9%            | 72%                  | 90%           | 28%                  | 1%            | 0%                   |

Source: Loan sample; U.S. Census data.

**Responses to Complaints**

NAB has not received any CRA complaints during this evaluation period.

## Colorado State Rating

### **CRA Rating for Colorado:** Satisfactory

- The borrower distribution of consumer loans within the AA is satisfactory for those loans made within the Denver MSA.
- The geographic distribution of consumer loans within the AA is satisfactory for the limited number of loans made within the Denver MSA.
- There is an insignificant number of commercial loans originated within the Denver MSA, so borrower and geographic distribution is not meaningful.
- There were no CRA complaints within the Denver MSA since the prior examination.

### **DESCRIPTION OF COLORADO ASSESSMENT AREA**

The Denver office of NAB, a full-service location, is domiciled within the Denver MSA. NAB does not provide substantial lending activity in the Denver MSA. They have only 11 loans, totaling \$160 thousand, outstanding as of February 27, 2012. This represents only 1/3 of 1 percent of their total loans outstanding. However, the bank also holds less than 1/10 of 1 percent of deposits within the Denver MSA. Also, with no Native American tribes or reservations domiciled in the Denver MSA, this MSA has not been a primary focus for the bank's loan or deposit gathering. The Denver MSA has a population of 2.2 million, with only 12 thousand, or 0.56 percent, American Indian/Alaskan Native population.

Based on 2000 census data, the Denver MSA is comprised of 545 census tracts. This includes 21 low-income tracts, 145 moderate-income tracts, 216 middle-income tracts, 152 upper-income tracts, and eleven tracts not applicable. The Department of Housing and Urban Development lists the 2011 updated median family income for this AA as \$78,200, and the 2000 census data indicated 7 percent of households were below poverty level. For the Denver MSA, unemployment is 8.1 percent based on January 2012 Bureau of Labor Statistics from the U.S. Department of Labor.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

#### Consumer Loans

The number of consumer loans within the Denver MSA is limited, with only seven loans currently outstanding. While this does not provide a meaningful data set for our review, of the seven loans currently outstanding, all seven (or 100%) were to low-income borrowers. This exceeds area demographics.

| Table 2B - Borrower Distribution of Consumer Loans in Denver MSA |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Borrower 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   | 20.25              | 100.00               | 18.12              | 0                    | 20.61              | 0                    | 41.01              | 0                    |

Source: Loan sample and U.S. Census data.

**Small Business Loans**

The bank has only two small business loans in the Colorado AA. This does not provide sufficient information for a meaningful analysis of the borrower distribution of small business loans in the Colorado AA. It is noted that both loans were made to businesses with total revenues less than \$250 thousand, which are considered very small businesses.

**Geographic Distribution of Loans**

**Consumer Loans**

The number of consumer loans within the Denver MSA is limited, with only seven loans currently outstanding. While this does not provide a significant number of loans for our review, of the seven loans currently outstanding, 31 percent were in low-income geographies and 57 percent were in moderate-income geographies, within the Denver MSA. This significantly exceeds area demographics.

| Table 3B - Geographic Distribution of Consumer Loans in Denver MSA |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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   | 4.32               | 31.00                | 28.40              | 57.00                | 41.77              | 9.00                 | 25.51              | 0                    |

Source: Loan sample and U.S. Census data.

**Small Business Loans**

The bank has only two small business loans in the Colorado AA. This does not provide sufficient information for a meaningful analysis of the geographic distribution of small business loans in the Colorado AA. It is noted that one of the two loans was made in a low-income census tract, representing 50 percent by number and 73 percent by dollars, of the small business loans made within the Colorado AA.

**Responses to Complaints**

NAB has not received any CRA complaints during this evaluation period.