



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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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 Montana (MT).
- 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 percent by number and 34 percent by dollar volume of loans originated during the evaluation period. The following table shows the volume of loans originated during the evaluation period.

<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
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 percent of total assets. The bank's current primary focus is agriculture and commercial lending. By dollar amount, the loan portfolio consisted of 81 percent real estate loans, 10 percent consumer loans, 7 percent business loans, and 2 percent 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 Meagher County, Park County, Fergus County, Judith Basin County, and Lewis and Clark County. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income (LMI) geographies. Based on 2000 Census data, the AA consists of 13 middle-income and nine upper-income CTs. This performance evaluation analyzes agricultural and consumer lending data in the AA for the full calendar years 2010 and 2011, compared to 2000 Census data; as well as agricultural and consumer lending data in the AA through the third quarter 2012, compared to 2010 Census data. The 2010 census lists

three moderate-income CTs, 14 middle-income CTs, six upper-income CTs, and one CT where the income level is unknown.

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 percent market share.

According to 2010 U.S. Census Data, the total population of this AA is 94,580. Approximately 13 percent of the families were classified as moderate income, 58 percent as middle-income, 25 percent as upper-income, and the income level was unavailable for 4 percent. The 2010 U.S. Census Data indicates 11 percent 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 percent by number and 70 percent 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 percent. Over the last 20 quarters, the banks’ quarterly average LTD ratio averaged 76% and ranged from 66 percent to 86 percent. The quarterly average of three other similarly situated banks over the same time period ranged from a low of 68 percent to a high of 81 percent, with an average of 74 percent.



### 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 percent of loans to small farms by both number and dollar amount. The following table shows the bank's borrower distribution for farm loans.

<b>Borrower Distribution of Loans to Farms in BRNA's AA</b>				
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 consumer loans to borrowers of different incomes meets the standard for satisfactory performance.. Lending to low-income borrowers exceeds the demographic comparator, while lending to moderate-income borrowers is slightly below the demographic comparator. Based on our sample, the bank originated 20 percent by number to low-income households and 10 percent by number to moderate-income households. This is reasonable given the higher degree of difficulty these borrowers have in qualifying for loans. In this AA, approximately 11 percent of all households live below the poverty level. The table below displays the borrower distribution of consumer loans as compared to the demographic data. Data from lending to consumers in 2012 is similar to results from 2010-2011.

<b>Borrower Distribution of Consumer Loans in BRNA's AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Households	% of Number of Loans							
Consumer Loans	20	20	15	10	20	30	45	30	10

Source: Loan Sample and 2000 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 AA has no low- or moderate-income AAs, and the geographic dispersion of loans is not applicable for the 2000 Census. However, the 2010 Census identifies three moderate-income CTs and no low-income CTs. Our sample of farm loans in 2012 indicates the bank's performance is near the demographic comparator for moderate-income CTs. Demographics from the 2010 Census shows 13 percent of AA farms is located in moderate-income CTs, while 12 percent of BRNA's farm loans originated for activities in moderate-income CTs.

### *Geographic Distribution of Consumer Loans*

The geographic distribution of consumer loans is excellent. The AA has no low- or moderate-income AAs, and the geographic dispersion of loans is not applicable for the 2000 Census. However, the 2010 Census identifies three moderate-income CTs and no low-income CTs. Our sample of consumer loans in 2012 indicates the bank's performance significantly exceeds the demographic comparator for moderate-income CTs. Demographics from the 2010 Census shows 8 percent of AA households is located in moderate-income CTs. The bank extended 43 percent of the number of consumer loans in 2012 in moderate-income 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.