



## **PUBLIC DISCLOSURE**

April 16, 2018

### **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

101 Stewart Street, Suite 1010  
Seattle, WA 98101

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, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>3</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>7</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>7</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>9</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>10</b>
<b>LENDING TEST .....</b>	<b>10</b>
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS.....</b>	<b>B-1</b>

## **Overall CRA Rating: Satisfactory**

### **The Lending Test is rated: Satisfactory.**

- The loan-to-deposit ratio (LTD) for Bank of the Rockies (BOTR) is more than reasonable in comparison to similarly situated banks in Montana (MT).
- A majority of BOTR's loans originated during the evaluation period are within the bank's assessment area (AA).
- The distribution of loans to borrowers of different incomes is reasonable.
- BOTR's geographic distribution of loans in the AA is reasonable.
- There have been no consumer complaints regarding BOTR's Community Reinvestment Act (CRA) performance during the evaluation period.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family

households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

BOTR is a community bank headquartered in White Sulphur Springs, Montana (in Meagher County). BOTR is owned by Countricorp, a bank holding company. The White Sulphur Springs location and ATM were located in a moderate-income census tract (CT) until recently, when the tract became a middle-income tract resulting from updated Census data. The bank also operates branches in Clyde Park, Emigrant, and Livingston (all in Park County), Lewistown (Fergus County), and Helena (Lewis and Clark County), within the state of Montana. All branches include ATMs, and there is an additional ATM located at a convenience store in White Sulphur Springs; none of the ATMs accept deposits. There are no metropolitan statistical areas in the bank's AA. All counties are contiguous, and mostly rural in nature.

As of December 31, 2017, BOTR had total assets of \$146 million, with net loans representing 69 percent of total assets. The bank's primary focus is residential and commercial lending. By dollar amount, the loan portfolio consisted of 78 percent real estate loans, 15 percent commercial loans, 6 percent agricultural loans, and 1 percent other loans.

There were no acquisition or merger activities during the evaluation period. The prior CRA Performance Evaluation dated October 29, 2012, resulted in a "Satisfactory" rating.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This evaluation of BOTR assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated BOTR'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, October 30, 2012, through April 16, 2018.

The loan sampling period used in the Lending Test covers loans originated from January 1, 2016 through December 31, 2017. This more limited time period was representative of the bank's business strategy during the evaluation period. For the purposes of this evaluation, we limited our analysis to the primary loan type of residential mortgage loans. This loan product represents 20 percent by number and 39 percent by dollar volume of loans originated during the evaluation period. Also note that Census data changes between 2010 and 2015 (new data applicable to 2017 analysis year) materially impacted our analysis of the bank's geographic distribution; for that analysis, 2016 loan data was evaluated separately from 2017 loan data.

<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/Farm Loans	20%	17%
Consumer Loans	4%	42%
Residential Real Estate Loans	39%	20%
Commercial Loans	37%	21%
Total	100%	100%

Source: Bank Data

## **Data Integrity**

BOTR is not required to report residential mortgage loans by the Home Mortgage Disclosure Act. As a result, all data used in our analysis came from a sample of loan files.

## **Selection of Areas for Full-Scope Review**

BOTR has only one AA in the state of Montana, which received a full-scope review. The AA includes Meagher County, Park County, Fergus County, Broadwater 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.

## **Ratings**

The bank's overall rating is based on performance in the single AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

BOTR lending to borrowers of different incomes reflects reasonable penetration among individuals of different income levels. The distribution of the bank’s loans to residential borrowers of different incomes is reasonable. Lending to low-income borrowers is comparable to demographic information while lending to moderate-income borrowers is lower than demographic information.

### Loan-to-Deposit Ratio

BOTR’s average LTD ratio is more than reasonable given the bank’s size, financial condition, and the AA’s credit needs. As of December 31, 2017, BOTR’s LTD ratio is 78.2 percent. Over the last 20 quarters, the bank’s quarterly average LTD ratio averaged 72.8 percent and ranged from 60.8 percent to 86.7 percent. The quarterly average of three other similarly situated banks over the same time period ranged from a low of 55.5 percent to a high of 61.7 percent, with an average of 59.5 percent.

### Lending in Assessment Area

A majority of loans by number and dollar volume are originated within the bank’s AA. Based on our sample of 20 loans, 75 percent of the loans by number, and 74 percent of the loans by dollar value were made to borrowers within the assessment area during the evaluation period.

Lending in the BOTR Assessment Area										
Residential Mortgage Loans	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
	15	75	5	25	20	3,657,375	74	1,294,936	26	4,952,311

Source: Loan sample

### Lending to Borrowers of Different Incomes

Based on our loan sample, the lending practices of BOTR reflect overall reasonable penetration among individuals of different income levels. Lending to low-income borrowers is comparable to demographic information, with 15 percent of loans originated to low-income households, which comprise 16 percent of households in the AA. This is considered excellent performance when considering the household poverty level of 11 percent; barriers to home ownership are more significant for those living in poverty. Loans granted to moderate-income borrowers, at five percent overall, is lower than demographic information showing that moderate-income households comprise 17 percent of families in the AA. Excellent performance relative to low-income borrowers helps mitigate poor performance relative to moderate-income borrowers. We also considered the level of competition in the AA when forming overall conclusions. Refer to appendix B for additional information related to the performance context.

Borrower Distribution of Residential Real Estate Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Totals	16.26	15.0	17.41	5.0	22.39	25.0	43.94	55.0

Source: 2015 ACS Census data; Loan sample

## Geographic Distribution of Loans

The geographic distribution of residential loans is excellent overall. We placed significantly more weight on 2016 performance. We considered the greater number of moderate-income tracts in the AA, based on Census data applicable to that year of bank performance. We also considered performance context in 2017, related to geographic factors within Lewis and Clark County.

The geographic distribution of residential loans for 2016 is excellent. The bank's AA does not contain any low-income census tracts, but 40 percent of sampled residential loans were originated to borrowers located in moderate-income census tracts. This is excellent given that only 9.3 percent of owner-occupied housing is located within moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Assessment Area for 2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Residential RE	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Total	0	0	9.28	40.0	62.13	50.0	28.59	10.0

Source: 2010 U.S. Census data; Loan sample

The geographic distribution of residential loans for 2017 is reasonable considering performance context factors. The bank's AA does not contain any low-income census tracts. The bank also did not extend any loans to moderate-income census tracts based on loans sampled. However, only 2.1 percent of owner-occupied housing is located within a moderate-income census tract; this percentage recently declined due to U.S. Census changes that impacted our analysis of 2017 data. In addition, we considered the location of BOTR branches. Lewis and Clark County runs northwest to southeast. The single moderate-income tract is rural in nature (with a large segment of the tract designated as national forest), and comprises the northwestern portion of Lewis and Clark County. BOTR's branch is located along the southern border of the county, where the majority of the population resides. The primary community in the moderate-income tract is Augusta, MT, which is about 75 miles away from the bank's branch in Helena. Augusta is better served by financial institutions that are geographically closer.

<b>Geographic Distribution of Residential Real Estate Loans in Assessment Area for 2017</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Residential RE	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Total	0	0	2.14	0	71.60	100.0	26.26	0

Source: 2015 ACS Census data; Loan sample

### **Responses to Complaints**

The bank has not received any consumer complaints related to its CRA activities during our evaluation period.

## Appendix A: Scope of Examination

---

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (01/01/16 to 12/31/17)*	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Bank of the Rockies, NA (BOTR) White Sulphur Springs, MT	Residential Mortgage Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Montana BOTR AA (non-MSA)	Full-Scope	Counties: Meagher, Park, Fergus, Broadwater, Judith Basin, Lewis and Clark

\*The LTD Ratio analysis includes all quarters within the evaluation period as defined on page 7.

## Appendix B: Community Profiles for Full-Scope Areas

### BOTR AA

Demographic Information for Full-Scope Area: BOTR AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	26	0.00	3.85	73.08	19.23	3.85
Population by Geography	102,120	0.00	1.75	71.70	26.55	0.00
Owner-Occupied Housing by Geography	30,147	0.00	2.14	71.60	26.26	0.00
Businesses by Geography	0	0.00	0.00	0.00	0.00	0.00
Farms by Geography	0	0.00	0.00	0.00	0.00	0.00
Family Distribution by Income Level	26,643	16.26	17.41	22.39	43.94	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	8,971	0.00	3.22	77.09	19.69	0.00
Median Family Income	\$59,958	Median Housing Value				\$203,455
HUD Adjusted Median Family Income for 2017	\$60,500	Unemployment Rate				2.48%
Households Below the Poverty Level	11%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 ACS US Census and 2017 FFIEC updated MFI

The table above summarizes some key demographic information related to the bank's AA. Out of 26 total census tracts, there is currently only one moderate-income tract in the AA; there were previously five moderate-income tracts based on 2010 Census data. The AA had no low-income tracts during the evaluation period.

BOTR operates six banking locations and seven ATMs in the AA. The White Sulphur Springs banking location and ATM were located in a moderate-income census tract (CT) until recently, when the tract became a middle-income tract as a result of updated Census data. The bank also operates branches in Clyde Park, Emigrant, and Livingston (all in Park County), Lewistown (Fergus County), and Helena (Lewis and Clark County), in the state of Montana. All branches have ATMs, but none accept deposits. There are no metropolitan statistical areas in the bank's AA. All counties are contiguous, and mostly rural in nature. The most populated county in the AA is Lewis and Clark, which includes the county seat of Helena, the sixth most populous city in Montana.

A Moody's Analytics report (dated March 2018) indicates that the Montana economy has generally been an underperformer in the West, but ended on a high note at the end of 2017. Tourism has been an economic driver, and has positively impacted the leisure and hospitality industry. Healthcare is also an important economic driver in the state,

and demographic trends favor continued growth; the share of residents age 65 and older is among the highest in the country. Home price appreciation has also been on the rise. State budget cuts will likely have a negative impact on the economy over the next couple of years, prompted by lower than expected income tax revenues, and a recent fire season was expensive, impacting the state's reserve funds. The state is projected to be one of the slowest-growth economies through the next decade.

The Moody's report states the main economic drivers in Montana are agriculture, tourism, and energy/resources. The business cycle is in a mid-expansion phase. Strengths include substantial coal and oil reserves, year-round tourist attractions (including national parks), and the state's status as a relatively low-cost place to do business. Economic weaknesses include distance from major markets, below-average incomes, and the impact of harsh weather to agriculture and tourism. The unemployment rate has generally declined over the evaluation period, from 5.4 percent in 2013 to 4.0 in 2017. Top employers include various hospitals and clinics, University of Montana, Malmstrom Air Force Base, Wal-Mart Stores, Stillwater Mining Company, and Montana Air National Guard.

As of June 30, 2017, the FDIC Deposit Market Share Report reflected 13 depository institutions operating 44 banking locations in the AA. BOTR ranks 7<sup>th</sup>, with 5.4 percent deposit market share. BOTR faces significant competition from local banks as well as large banks. Significant competitors in the AA include Glacier Bank, First Interstate Bank, Wells Fargo Bank, and Opportunity Bank of Montana. Combined, these four competitors have captured 70.4 percent of the deposit market share.

According to realtor.com, the median listing price in Montana is \$299 thousand. In comparison, the median listing price is \$269.9 thousand in Broadwater County; \$129.5 thousand in Fergus County; \$180 thousand in Judith Basin County; \$289.9 thousand in Lewis and Clark County; \$199 thousand in Meagher County, and \$339.5 thousand in Park County. This information is illustrative of the potential variances among housing prices in the counties comprising the bank's AA. In contrast, the median housing *value* was \$203.5 thousand in the combined AA, based on 2015 ACS Census data. The median housing value is about 3.4 times the updated median family income, and is a general indicator of the relative expense of home ownership, particularly for those at the lower end of the income range.

BOTR is responsive to the needs of the communities it serves as identified through community contacts. Our community contact outreach discussion was held with a state-wide organization that serves the institution's AA, with a focus on affordable housing, including housing education, second lien mortgages, new construction, affordable rental development, and housing assistance. The contact stated that they also work with banks to facilitate first lien home mortgage loans for their clients. While they also receive sufficient donations from banks, they would like to see a better understanding of products and services that they offer, which could in turn lead to more referrals by banks.