



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 12, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of the Rockies, N.A.
Charter Number 3375**

**205 West Main
White Sulphur Springs, Montana 59645**

**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 evaluation of the bank's lending performance is based upon the review of loans originated in 2001, 2002 and 2003. We randomly selected twenty loans from each of the following three categories; purchase residential real estate, commercial and agriculture. Demographic information was obtained from the 1990 United States Census.

Bank management actively participates in loan programs offered by the Small Business Association, Farm Service Agency, and the Business and Industry Guaranteed Loan Program (USDA). Bank of the Rockies, N.A. successfully obtained a grant from the Federal Home Loan Bank of Seattle to conduct an affordable housing study.

- Bank of the Rockies, N.A. (BOR) has an excellent distribution among small farms and small businesses.

The bank has achieved a strong distribution of loans among farms of different sizes. The bank's participation in various programs offered by the Farm Service Agency assists bank management in making small farm loans. Based on demographic data obtained from 2002 Dun and Bradstreet reports, 90 percent of the area farms have revenues less than \$1 million. BOR originated 100 percent of the loans by dollar volume and 100 percent by number to small farms. The bank originated 85 percent of their agricultural loans to farms with gross annual revenues of \$250 thousand and under.

BOR has demonstrated good performance of lending to small businesses. Management participates in the Small Business Administration loan program. Based on demographic data obtained from 2002 Dun and Bradstreet reports, 68 percent of the assessment area businesses have sales less than \$1 million. BOR originated 95 percent by number and 68 percent by dollar of commercial loans to small businesses. In addition, the bank originated 80 percent of their small business loans to business with revenues less than \$250 thousand.

- The bank has a reasonable record of lending to individuals of different income levels.

The distribution of residential real estate borrowers is generally satisfactory. Based on 20 borrowers sampled, the portion of loans originated to low and moderate-income people is reasonable based on their corresponding percent of the AA population. Other financial institutions also service the moderate-income tract, which impacts the lower number of real estate loans made by the bank.

- BOR originated a substantial majority of its loans in the assessment area.

Specifically, 95 percent of the number and 91 percent of the dollar volume of all loans originated during the review period were made within the bank's assessment area.

- The bank's average loan-to-deposit ratio reflects a good responsiveness to community credit needs and is comparable with similarly situated banks.

BOR's loan-to-deposit ratio indicates a reasonable responsiveness to area credit needs. There are three, similarly situated financial institutions within 75 miles of the bank. We averaged each bank's loan-to-deposit ratio for the last thirteen quarters for comparison ending December 31, 2002. During these thirteen quarters, BOR's loan-to-deposit ratio ranged from 65 percent to 79 percent. BOR's average loan-to deposit ratio of 71 percent satisfactorily compares to the 67% average for three similarly situated banks. The thirteen-quarter average loan-to-deposit ratio for the three similarly situated banks were 73 percent, 68 percent and 61 percent, respectively.

- The bank's geographic distribution of loans is reasonable.

Twenty-seven percent of the loans originated by BOR are located in the moderate BNAs. This compares favorably to the demographic data. Management is lending in all tracts of the AA.

- BOR did not receive any consumer complaints about its performance in helping to meet the credit needs of the assessment area during the evaluation period.
- An analysis of 2001, 2002, and 2003 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the Community Reinvestment Act (CRA) evaluation this year. The latest comprehensive fair lending exam was performed in 1998.
- No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the examination.

DESCRIPTION OF INSTITUTION

Bank of the Rockies, N.A. (BOR) is a small, community bank operating in rural, central Montana. As of December 31, 2002, total assets equaled \$57 million and total loans were \$36 million. The bank's main office is located in White Sulphur Springs and the three bank branches are located in Clyde Park, Livingston and Emigrant. Countricorp, a one-bank holding company, wholly owns the bank. The bank owns four 24-hour ATMs located in White Sulphur Springs, Livingston and Emigrant. BOR's business focus is to provide a variety credit and deposit services to support the needs of small businesses, agricultural producers, and consumers located within the assessment area (AA).

The prior Community Reinvestment Act Performance Evaluation was dated July 7, 1998, with a "Satisfactory" rating.

The bank does not have any financial or legal impediments that prevent it from meeting the credit needs of the community/assessment area.

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

DESCRIPTION OF ASSESSMENT AREA

BOR's assessment area (AA) consists of Meagher and Park Counties of Montana. The assessment area is not part of a metropolitan statistical area (MSA). The AA is comprised of five block-numbering areas (BNAs); two moderate-income, two middle-income and one upper-income. The assessment area does not arbitrarily exclude any low- or moderate-income areas. The 2000 Census data shows that 44 percent of the 4,249 housing units in the AA are owner occupied and 35 percent are vacant. It also lists the population of the AA at 7,877. For 2002, the US Department of Housing and Urban Development (HUD) estimates the non-metropolitan, median family income (MFI) for Montana at \$39,600. The average price of a home ranges from \$65,000 to \$120,000.

The assessment area's economy is largely dependent on tourism and agriculture. Cow/calf operations are the major agricultural product. The AA's largest industries, based on total number of employees for 2002, are services (27 percent), agriculture (18 percent), retail trade (14 percent) and construction (9 percent). The major employers are the school districts, hospitals, county governments and RY Timber. Bank competitors include three institutions, which are similar in size and customer base.

We met with a local business owner to further understand the credit needs in the AA. Our contact perceives that the local financial institutions meet the primary credit needs of the surrounding communities, which include agricultural, small business and consumer credit. The contact indicated that the economy is poor due to drought, decline in the logging industry and weakening commodity prices.

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