

PUBLIC DISCLOSURE

September 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Yellowstone Bank
12 First Avenue
Laurel, Montana 59044
RSSD 680457

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

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 the 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.

TABLE OF CONTENTS

Institution’s CRA Rating	1
Scope of Evaluation	1
Description of Institution	3
Description of Assessment Areas	4
Conclusions with Respect to Performance Criteria	4
Fair Lending or Other Illegal Credit Practices Review.....	7
Metropolitan Area – Full Review	8
Description of the Billings MSA Assessment Area.....	8
Conclusions with Respect to Performance Criteria	12
Nonmetropolitan Areas – Limited Review	22
Description of Institution’s Operations in the Bozeman, Montana, Assessment Area	22
Description of Institution’s Operations in the Sidney, Montana, Assessment Area	22
Description of Institution’s Operations in the Broadus, Montana, Assessment Area.....	23
Appendix A – Glossary.....	24

Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of The Yellowstone Bank, Laurel, Montana, demonstrates reasonable responsiveness to the credit needs of its assessment areas (AA) and excellent responsiveness to community development needs. The CRA evaluation uses the Intermediate Small Bank CRA Examination Procedures, which include a Lending Test and a Community Development Test.

The Lending Test rating is Satisfactory, based on the following criteria:

- Overall, the bank's lending to businesses and farms of different sizes and borrowers of different income levels is excellent. The bank's lending to businesses of different sizes is excellent. The lending to farms of different sizes and borrowers of different income levels is reasonable.
- The geographic distribution of the bank's loans reflects reasonable dispersion throughout the AAs.
- The bank's net loan-to-deposit ratio is reasonable given the bank's asset size, its financial condition, and the credit needs of the AAs.
- The bank originated a substantial majority of its loans within its AAs.

The Community Development Test rating is Outstanding, based on the following criteria:

- The bank's level of community development loans and investments (including donations) is excellent and very responsive to community development needs in the AAs. In addition, the bank engaged in an adequate level of community development services.

The bank received a Satisfactory rating at the previous evaluation, dated October 29, 2018.

SCOPE OF EVALUATION

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources, the economic and demographic characteristics of the AAs, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance. This CRA evaluation covers the period from October 29, 2018, to September 12, 2022.

The bank has designated four AAs in Montana for CRA purposes: Billings Metropolitan Statistical Area (MSA), Bozeman, Sidney, and Broadus. The Broadus AA is new since the previous evaluation. In September 2021, the bank acquired 1st Bank, Broadus, Montana. The acquisition added one branch, located in Broadus, and the new AA, which encompasses the entirety of Powder River County. Also, since the previous evaluation, Stillwater County became part of the Billings MSA in 2019; accordingly, this county is now part of the bank's Billings MSA AA. The bank's offices in Columbus and Absarokee are located in Stillwater County, which was a separate AA at the time of the previous evaluation.

The majority of the bank's activities occur in the Billings MSA AA. As a result, examiners conducted a full-scope review of the Billings MSA AA and limited-scope reviews of the remaining AAs. The loans in the Billings MSA AA account for 83.3% of the bank's lending activity by number, based on the bank's 2018 through 2021 Home Mortgage Disclosure Act (HMDA) loans and its 2021 small business and small farm loans. The Bozeman AA had the second largest lending volume by number at 10.1%. Based on the

June 30, 2021, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the majority of the bank’s deposits (81.1%) are in the Billings MSA. The Sidney and Bozeman AAs account for 10.6% and 8.2% of deposits, respectively (based on data before the 1st Bank acquisition in September 2021).

Throughout this evaluation, examiners used demographic characteristics in evaluating the bank’s record of lending in the individual AAs. Sources for demographic information are primarily the 2021 Federal Financial Institutions Examination Council (FFIEC) adjusted census data and the 2021 Dun & Bradstreet data. AA demographics are useful in analyzing the bank’s lending because they provide a means of estimating lending opportunities. Examiners used self-reported data collected and published by Dun & Bradstreet regarding the revenue size and location of businesses and farms to evaluate the bank’s small business and small farm lending. The demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

For community contacts, examiners interviewed individuals familiar with economic and demographic characteristics and community development activities in the Billings MSA. Examiners used the information obtained to establish a performance context for the CRA evaluation. The full-scope AA section of this evaluation includes specific information obtained from community contacts. The contacts did not identify any unmet credit needs in the Billings MSA.

Examiners weighted the bank’s performance as follows for the overall rating:

- Examiners assigned more weight to the Lending Test than to the Community Development Test because the bank primarily serves its communities through its lending programs.
- The rating is based primarily on the bank’s performance in the Billings MSA AA, as a majority of the bank’s lending occurs in this AA.
- For the Lending Test performance criteria, examiners placed the greatest and equal weight on the bank’s lending to businesses and farms of different sizes and borrowers of different income levels and on the geographic distribution of loans. Examiners weighted the remaining criteria less, but equally.
- By product type, examiners placed the greatest weight on the bank’s small business loans, followed by HMDA and small farm loans.

Lending Test Scope

The scope of the Lending Test covers the bank’s major product line, small business loans (as shown in the table below), as well as the bank’s HMDA and small farm loans.

Loan Originations from January 1, 2021, Through December 31, 2021¹				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Construction/Land Development	91	7.4	\$ 55,058,474	13.2
Consumer	273	22.2	5,218,001	1.3
Residential Real Estate	159	12.9	38,563,851	9.2
Small Business (≤ \$1 million)	420	34.2	76,901,558	18.4
Commercial (> \$1 million)	66	5.4	182,614,597	43.8
Small Farm (≤ \$500,000)	194	15.8	18,184,392	4.4
Agricultural (> \$500,000)	26	2.1	40,884,465	9.8
Total	1,229	100.0	\$417,425,337	100.0

¹ Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

The Lending Test is based on a statistical sample of the bank's small business and small farm loans. The loan sample includes 137 small business loans and 99 small farm loans originated between January 1, 2021, and December 31, 2021.

In 2020 and 2021, the bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans were designed to help businesses keep their workforces employed during the COVID-19 pandemic. The bank originated more than 1,400 PPP loans. Examiners considered the bank's PPP loans primarily in their evaluation of the bank's small business loans, but also as community development loans.²

Because the bank operates offices in an MSA and therefore is required to report HMDA loans, examiners also analyzed the bank's 2018, 2019, 2020, and 2021 HMDA-reportable loans. Examiners reviewed 2018 and 2019 lending for consistency with the 2020 and 2021 HMDA data but did not include a detailed analysis of the 2018 and 2019 data in this evaluation.³ Furthermore, examiners reviewed HMDA data reported by aggregate lenders to better assess the bank's HMDA lending performance.

Examiners analyzed the following criteria to determine the Lending Test rating:

- Lending to businesses and farms of different sizes and to borrowers of different income levels.
- Geographic distribution of loans.
- Net loan-to-deposit ratio.
- Lending inside the AAs.
- The bank's record of responding to complaints about its CRA performance.

Community Development Test Scope

Examiners reviewed the bank's community development lending, qualified investments (including donations), and community development services since the previous evaluation for each AA and for larger regional or statewide areas. Examiners based the Community Development Test rating on the bank's performance during the period of October 29, 2018, to September 12, 2022.

DESCRIPTION OF INSTITUTION

Structure. The Yellowstone Bank is wholly owned by Yellowstone Holding Company, a one-bank holding company in Columbus, Montana.

Offices and Retail Delivery Systems. The bank operates nine full-service offices in Montana, with its main office in Laurel; however, bank management indicated that the bank's Overland Avenue office in Billings serves as the main office. The bank has three branches in Billings and one branch in each of the following cities: Columbus, Absarokee, Bozeman, Sidney, and Broadus. As previously mentioned, the Broadus branch is new since the last evaluation due to an acquisition. The bank operates cash-dispensing-only ATMs at each office except Broadus; the bank also has several nonproprietary ATMs. All offices have drive-up services, and many offices have extended weekday and/or weekend hours. The bank's office hours are appropriate for the communities it serves. The bank has not closed any branches or ATMs. The bank also offers 24-hour telephone, mobile, and online banking services.

² Eight PPP loans qualified as community development loans and were considered under the Community Development Test.

³ While this performance evaluation also does not include a separate analysis for the bank's former Absarokee/Columbus AA for 2018, examiners analyzed the bank's 2018 HMDA lending in this AA.

Loan Portfolio. The bank's assets total \$1.2 billion, according to the June 30, 2022, Report of Condition, which is a 65.3% increase from the previous evaluation. The bank's \$620.4 million loan portfolio consists of 72.3% commercial, 14.4% residential real estate, 11.8% agricultural, 1.4% consumer, and 0.1% other loans. The loan portfolio increased by 13.0% since the previous evaluation. The overall composition of the loan portfolio has remained relatively consistent since the previous evaluation.

Credit Products. The bank offers a variety of loan products to meet the credit needs of the residents, farms, and businesses in its AAs. The bank's primary focus is commercial lending. In addition to conventional loan programs, the bank participates in SBA, Montana Board of Investments, Federal Housing Administration, U.S. Department of Veterans Affairs, Montana Board of Housing, and Farm Service Agency loan programs. For the fiscal year ending September 30, 2021, the SBA named the bank as the leading SBA lender in Montana, based on non-COVID loan data. The bank also offers consumer loans.

DESCRIPTION OF ASSESSMENT AREAS

As mentioned, the bank has four AAs: Billings MSA, Bozeman, Sidney, and Broadus. The Broadus AA, consisting of Powder River County, is new since the previous evaluation due to the 1st Bank acquisition in 2021. The Billings MSA AA consists of Yellowstone, Carbon, and Stillwater counties as of 2019. Since the previous evaluation, the U.S. Office of Management and Budget's (OMB) delineation for the Billings MSA changed with the removal of Golden Valley County and the addition of Stillwater County. The Bozeman AA includes Gallatin County, and the Sidney AA includes Richland County. Overall, the bank's four AAs consist of two low-, 11 moderate-, 34 middle-, and 20 upper-income census tracts. The one middle-income tract that makes up Powder River County is classified as underserved. The individual AA sections include more detailed descriptions of the bank's AAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is Satisfactory. The rating is based on a Satisfactory rating for the Lending Test and an Outstanding rating for the Community Development Test.

LENDING TEST

The Lending Test is rated Satisfactory. The factors supporting this rating include the following:

- Overall, lending to businesses and farms of different sizes and borrowers of different income levels is excellent. Lending to businesses of different sizes is excellent. The lending to farms of different sizes and to borrowers of different income levels is reasonable.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AAs.
- The bank's net loan-to-deposit ratio reflects a reasonable level of lending.
- The bank originated a substantial majority of loans within its AAs.

The Billings MSA AA section of this evaluation includes a detailed discussion of the bank's lending to businesses and farms of different sizes and to borrowers of different income levels, as well as the geographic distribution of loans. In addition, the limited-scope reviews of the bank's remaining AAs are discussed in separate sections of the evaluation. Examiners analyzed the bank's net loan-to-deposit ratio and lending inside and outside the AAs at the institution level, as described below.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given its asset size, financial condition, and the credit needs and competition in the AAs. As of June 30, 2022, the net loan-to-deposit ratio for the bank is 60.7%, which is below the national peer group's net loan-to-deposit ratio of 74.6%. The bank's national peer group includes all insured commercial banks with assets between \$1 billion and \$3 billion. The bank's 15-quarter average net loan-to-deposit ratio of 77.7% is lower than the previous evaluation, which had a 12-quarter average net loan-to-deposit ratio of 96.5%. In the last 15 quarters, the net loan-to-deposit ratio was at a high of 93.4% at the start of the evaluation period to 60.4% more recently. Bank management noted the growth in deposits from pandemic-related stimulus programs. Loan demand remains strong, but deposit growth significantly exceeded loan growth. The table below shows the total assets and 15-quarter average net loan-to-deposit ratio for the bank and one similarly situated financial institution operating in the AAs.

15-Quarter Average Net Loan-to-Deposit Ratios		
<i>Bank Name and Location</i>	<i>Assets as of 6/30/2022 (\$000)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
The Yellowstone Bank, Laurel, Montana	\$1,203,280	77.7%
Opportunity Bank of Montana, Helena, Montana	\$1,874,166	86.3%

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The bank originated a substantial majority of its loans, 95.0% by number, within its AAs. The table below shows lending activity by loan type within the AAs.

Lending Inside and Outside the Assessment Areas								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	41	89.1	\$3,319	84.5	5	10.9	\$611	15.5
Home Purchase-Conventional	695	95.6	\$184,409	95.4	32	4.4	\$8,820	4.6
Home Purchase - FHA	80	93.0	\$16,956	95.9	6	7.0	\$729	4.1
Home Purchase - VA	31	100.0	\$9,783	100.0	0	0.0	\$0	0.0
Multi-Family Housing	20	95.2	\$5,771	98.3	1	4.8	\$101	1.7
Other Purpose Closed-End	14	93.3	\$3,592	98.3	1	6.7	\$61	1.7
Refinancing	954	97.6	\$243,770	97.2	23	2.4	\$6,962	2.8
Total HMDA related	1,835	96.4	\$467,600	96.4	68	3.6	\$17,284	3.6
Small Business	122	89.1	\$22,736	91.7	15	10.9	\$2,055	8.3
Total Small Bus. related	122	89.1	\$22,736	91.7	15	10.9	\$2,055	8.3
Small Farm	74	74.7	\$6,140	77.6	25	25.3	\$1,769	22.4
Total Small Farm related	74	74.7	\$6,140	77.6	25	25.3	\$1,769	22.4
TOTAL LOANS	2,031	95.0	\$496,476	95.9	108	5.0	\$21,108	4.1

Bank management indicated that lenders consider all loan requests, regardless of an applicant's location, and work to maintain established customer relationships. The bank's small farm lending reflects a lower percentage of loans in the AAs as compared to the other loan categories. Management attributed this

difference to the fact that the branch offices in Broadus and Sidney are located in largely rural areas and noted that the farming relationships managed by these offices include agricultural producers located outside the AAs. Of the 25 small farm loans outside the bank's AAs, the bank extended the majority to producers operating in counties adjacent to a bank AA. The bank's lending shows its commitment to meeting the credit needs of the businesses, farms, and residents within its AAs.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES

Overall, the bank's lending to businesses and farms of different sizes and to borrowers of different income levels is excellent based on the weighting assigned to small business loans. The bank lends to businesses and farms with gross annual revenues of \$1 million or less and to low- and moderate-income individuals. The Conclusions with Respect to Performance Criteria section for the Billings MSA AA includes a detailed discussion of the borrower distribution of loans.

The bank actively participated in PPP lending, which began in April 2020. After two rounds of lending, the program ended on May 31, 2021. The PPP is an SBA-backed loan program that was designed to help businesses keep their workforce employed during the pandemic. The bank originated 1,477 PPP loans totaling \$115.5 million, including 13 loans with approval amounts in excess of \$1 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans shows a reasonable dispersion throughout the AAs. Lending patterns do not reveal any unexplained gaps in lending. The Conclusions with Respect to Performance Criteria section for the Billings MSA AA includes a detailed discussion of the geographic distribution of loans.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test rating is Outstanding. Overall, the bank's community development activities demonstrate excellent responsiveness to the needs of the AAs. The majority of the bank's community development activities occurred in the Billings MSA AA. This is reasonable because most of the bank's offices are in this AA. The bank engaged in community development lending, provided community development services, and made qualified investments in the form of securities and donations.

Community Development Loans. The level of community development lending is excellent. During the evaluation period, the bank originated 13 community development loans totaling \$22.7 million that primarily benefit the Billings MSA AA, although one loan benefits the Bozeman AA. Five loans totaling \$9.1 million supported economic development, six loans for \$10.2 million helped revitalize and stabilize low- or moderate-income tracts, one loan for \$2.0 million supported affordable housing, and one loan for \$1.5 million provided funding to a nonprofit organization that primarily serves low- and moderate-income individuals. Eight of the bank's 13 community development loans were pandemic-related PPP loans, which are particularly responsive. The bank also made other highly responsive community development loans in the Billings MSA and Bozeman AAs.

Qualified Investments, Including Donations. The level of qualified investments, including donations, is excellent. Since the previous evaluation, the bank purchased four new bonds totaling \$1.3 million that funded campus improvements to three schools, benefiting low- and moderate-income children in the Billings MSA AA. These purchases are notable; bank management and community contacts indicated that there have been limited opportunities to acquire CRA-eligible securities and that competition is strong. In addition, the bank held three prior-period securities totaling \$600,000, which benefited the Billings MSA AA and matured during the evaluation period.

Additionally, the bank made qualifying donations totaling \$184,516 during the evaluation period benefiting bank AAs (\$165,016) and a multistate area (\$19,500) that includes the bank's AAs. The bank donated \$161,766 in the Billings MSA AA and \$3,250 in the Sidney AA. The bank primarily made donations to support organizations that provide community services to low- and moderate-income individuals, but it also supported organizations that focus on affordable housing, revitalization or stabilization of low- or moderate-income areas, and economic development in the AAs. Because the bank was responsive in meeting credit and community development needs of its AAs, examiners also considered a \$5,000 donation that benefited homeless individuals in western Montana (outside of the bank's AAs).

Finally, examiners considered the investments outside the AAs because the bank was responsive to the community development needs of, and opportunities in, its AAs. The bank invested \$5.3 million in certificates of deposit (CD) at minority-owned depository institutions outside of its AAs since the previous evaluation period. The bank also held \$3.1 million in these types of CDs during the evaluation period as prior-period investments.

Community Development Services. The bank's level of community development services is adequate. During the evaluation period, the bank provided 74 community development services benefiting bank AAs (67) or larger regional areas (7) that include the bank's AAs. Thirteen employees, including senior management, provided financial expertise on boards and committees of 18 organizations. Most of the services focused on helping organizations that provide assistance to low- and moderate-income individuals, but the bank also provided a number of services that supported affordable housing initiatives and economic development efforts. Finally, the bank provided some services that helped with revitalization or stabilization of moderate-income or underserved areas.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B – Equal Credit Opportunity Act, Regulation C – Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

METROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE BILLINGS MSA ASSESSMENT AREA

Bank Information. The Yellowstone Bank operates six offices in the Billings MSA AA. The offices are located in the cities of Absarokee, Columbus, and Laurel, Montana, with the other three offices located in Billings (Billings – Shiloh, Billings – Downtown, and Billings – Homestead). According to bank management, the Billings office on Overland Avenue serves as the main office. The six offices provide full services with cash-dispensing-only ATMs. Each office has a drive-up facility, and most offices offer weekend and extended hours. At the previous evaluation, when Stillwater County was not yet part of the Billings MSA, the bank’s Absarokee and Columbus branches were in the bank’s former Absarokee/Columbus AA.

According to the June 30, 2021, FDIC Deposit Market Share Report, the bank ranked sixth out of 12 financial institutions operating in the Billings MSA, with a 9.8% deposit market share and \$671.9 million in deposits. The deposits in this assessment area represent 81.1% of the bank’s total deposits. Bank management and community contacts indicated that competition in the Billings area is strong.

Assessment Area. The Billings MSA AA includes Yellowstone, Carbon, and Stillwater counties, which represent the Billings MSA. At the previous evaluation, the Billings MSA consisted of Yellowstone, Carbon, and Golden Valley counties. In 2019, Golden Valley County was replaced by Stillwater County. The Billings MSA AA consists of 40 census tracts: one low-, nine moderate-, 24 middle-, and six upper-income tracts. The Billings MSA AA includes a small portion of the Crow Indian Reservation; tribal headquarters are in Crow Agency, Montana (Big Horn County).

The following table shows the demographic characteristics of the AA based on 2021 FFIEC adjusted census data and 2021 Dun & Bradstreet data.

2021 Billings MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	2.5	838	1.9	169	20.2	8,571	19.5
Moderate	9	22.5	7,468	17.0	1,143	15.3	7,934	18.0
Middle	24	60.0	27,685	62.9	1,909	6.9	9,620	21.9
Upper	6	15.0	8,015	18.2	254	3.2	17,881	40.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	40	100.0	44,006	100.0	3,475	7.9	44,006	100.0

2021 Billings MSA AA Demographics								
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	1,635	510	1.1	31.2	996	60.9	129	7.9
Moderate	16,581	8,417	17.4	50.8	6,929	41.8	1,235	7.4
Middle	46,703	30,267	62.6	64.8	11,098	23.8	5,338	11.4
Upper	12,163	9,169	19.0	75.4	2,278	18.7	716	5.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	77,082	48,363	100.0	62.7	21,301	27.6	7,418	9.6
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	242	2.3	202	2.1	40	5.2	0	0.0
Moderate	2,869	27.8	2,542	26.9	300	39.1	27	30.7
Middle	5,805	56.3	5,365	56.7	387	50.4	53	60.2
Upper	1,396	13.5	1,347	14.2	41	5.3	8	9.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	10,312	100.0	9,456	100.0	768	100.0	88	100.0
Percentage of Total Businesses:				91.7		7.4		0.9
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	1	0.2	1	0.2	0	0.0	0	0.0
Moderate	50	10.2	49	10.3	0	0.0	1	33.3
Middle	339	69.2	332	69.5	6	66.7	1	33.3
Upper	100	20.4	96	20.1	3	33.3	1	33.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	490	100.0	478	100.0	9	100.0	3	100.0
Percentage of Total Farms:				97.6		1.8		0.6
<p>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding.</p>								

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC’s estimated median family income for the year of loan origination. For borrowers in the Billings MSA, the income was \$71,000 in 2018, \$73,700 in 2019, \$76,400 in 2020, and \$78,100 in 2021. For purposes of classifying census tracts by income level, this evaluation relies on the 2015 FFIEC adjusted census data median family income for the Billings MSA, which was \$66,980 in 2018 and \$66,565 for 2019 to 2021.

The table below shows the median family income for the Billings MSA AA, the counties comprising the MSA, and the state of Montana, based on U.S. Census Bureau data. The 2015 median family income in the AA decreased slightly since the 2010 census, and it is above the statewide median family income figure.

Billings MSA AA Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	% Change
Billings MSA AA	\$67,417	\$66,565	-1.3%
Carbon County, MT	\$65,144	\$62,500	-4.1%
Stillwater County, MT	\$71,259	\$68,833	-3.4%
Yellowstone County, MT	\$67,929	\$67,467	-0.7%
Montana	\$60,682	\$61,271	1.0%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Population Characteristics. The population of the Billings MSA AA is 173,248. The table below shows the population change from the 2010 census to the 2015 U.S. Census Bureau American Community Survey. The population growth in the Billings MSA AA slightly outpaces growth for the state of Montana. The largest city in the AA is Billings, with an estimated population for July 2021 of 117,445. Community contacts noted that the Billings area and Montana overall have experienced a large influx of individuals who are moving from California, Wyoming, and Colorado.

Billings MSA AA 2021 Population Change			
Area	2010 Population	2015 Population	% Change
Billings MSA AA 2021	167,167	173,248	3.6%
Carbon County, MT	10,078	10,268	1.9%
Stillwater County, MT	9,117	9,288	1.9%
Yellowstone County, MT	147,972	153,692	3.9%
Montana	989,415	1,014,699	2.6%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Economy. Billings is the largest city in the state of Montana and a regional trade center. A community contact indicated that the economy is robust. Major employers include government offices, manufacturing companies, refineries, healthcare providers, and local school districts. Individuals travel to Billings from surrounding areas, including Wyoming and Idaho, for medical services. Billings also has numerous retail businesses and restaurants. A contact indicated that there has been strong business interest in Billings by companies that consider operating in the area. Bank management indicated that farmers have experienced rising prices and good yields.

According to the Bureau of Labor Statistics, the 2021 unemployment rate for the Billings MSA was 3.2%, which is similar to the statewide rate for the same period. The unemployment rates for the MSA, the counties comprising the MSA, and the state all increased in 2020 due to the pandemic but have since stabilized. A community contact and management indicated that the unemployment rate is low. A contact noted that there are a significant number of available positions and businesses have been providing greater flexibility, such as hybrid arrangements, to attract employees. Management noted that there are not enough entry-level workers to fill available jobs.

Billings MSA AA Unemployment Rates				
Area	2018	2019	2020	2021
Billings MSA AA 2021	3.4%	3.3%	5.3%	3.2%
Carbon County, MT	3.5%	3.6%	5.8%	3.4%
Stillwater County, MT	3.4%	3.2%	4.9%	2.9%
Yellowstone County, MT	3.3%	3.3%	5.3%	3.2%
Montana	3.7%	3.6%	5.8%	3.4%
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>				

Housing. Affordable housing continues to be a concern in the Billings area. A community contact indicated that housing prices are high and increasing, and that it is difficult for individuals in the low- and moderate-income ranges, especially first-time homebuyers, to purchase a home given the average residential sales price. The contact indicated that local government officials identified affordable housing as a major concern for Billings and that demand for housing is high due to the in-migration from other parts of the country. The contact noted that rental costs are also high and have been increasing.

The table below shows the housing cost burden faced by renters and homeowners in the Billings MSA AA. The U.S. Department of Housing and Urban Development defines cost-burdened families as follows: Those who pay more than 30% of their income for housing and may have difficulty affording necessities such as food, clothing, transportation, and medical care. The overall burden for renters in the Billings MSA AA is slightly higher than the burden for renters statewide. Low-income renters have a significant burden. Overall, homeowners fare better, but similar to renters, low-income homeowners have a significant burden.

Billings MSA AA 2021 Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Billings MSA AA 2021	77%	38%	40%	65%	35%	21%
Carbon County, MT	77%	39%	36%	61%	22%	22%
Stillwater County, MT	74%	31%	29%	60%	32%	20%
Yellowstone County, MT	78%	38%	41%	66%	36%	21%
Montana	71%	33%	38%	59%	33%	21%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2014-2018 Comprehensive Housing Affordability Strategy</i>						

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE BILLINGS MSA ASSESSMENT AREA

The bank’s overall Lending Test performance in the Billings MSA AA is reasonable. The bank’s Community Development Test performance is excellent. This AA accounts for the majority of the bank’s lending and community development activities.

LENDING TEST

Overall, the bank’s lending to businesses and farms of different sizes and borrowers of different income levels is excellent. The bank’s lending to businesses of different sizes is excellent. The lending to farms of different sizes and borrowers of different income levels is reasonable. The geographic distribution of loans reflects a reasonable dispersion throughout the AA.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES

Small Business Lending. The bank’s lending to small businesses is excellent. The following table reflects the bank’s small business lending by revenue and loan size.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Billings MSA AA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	62	70.5	11,499	64.1	91.7
Over \$1 Million	26	29.5	6,442	35.9	7.4
Revenue Unknown	0	0.0	0	0.0	0.9
Total	88	100.0	17,941	100.0	100.0
By Loan Size					
\$100,000 or Less	40	45.5	1,477	8.2	
\$100,001 - \$250,000	20	22.7	3,474	19.4	
\$250,001 - \$1 Million	28	31.8	12,991	72.4	
Total	88	100.0	17,941	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	29	46.8	1,019	8.9	
\$100,001 - \$250,000	15	24.2	2,561	22.3	
\$250,001 - \$1 Million	18	29.0	7,919	68.9	
Total	62	100.0	11,499	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank originated 70.5% of its small business loans to entities with gross annual revenues of \$1 million or less. According to Dun & Bradstreet data, 91.7% of the businesses in the AA are small businesses. The

bank's lending is below demographics; however, it is explainable. While the bank is primarily a commercial lender, it faces strong competition from other financial institutions serving the Billings MSA. The bank originated 46.8%, or nearly half, of its loans to small businesses in amounts of \$100,000 or less, which indicates a willingness to serve the needs of small businesses in the assessment area.

In addition, the bank's PPP lending in the Billings MSA AA is significant. The bank extended 1,015 PPP loans in the AA in 2020 and 2021, totaling \$69.0 million. Of these loans, 52.6% were for amounts of \$25,000 or less. This level of responsiveness enhances the bank's small business lending.

Residential Real Estate Lending. The bank's HMDA lending to low- and moderate-income borrowers is reasonable. The following tables show the bank's HMDA lending for 2020 and 2021 by borrower income level.⁴

Distribution of 2020 and 2021 Home Mortgage Lending by Borrower Income Level Assessment Area: Billings MSA AA (1 of 2)													
Borrower Income Level	Bank And Aggregate Loans by Year												Families by Family Income %
	2020						2021						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Home Purchase Loans													
Low	14	7.9	6.1	2,428	5.1	3.5	10	5.7	5.8	1,620	3.1	3.3	19.5
Moderate	27	15.3	21.3	6,226	13.0	16.7	22	12.5	18.7	4,955	9.6	14.0	18.0
Middle	36	20.3	24.5	8,419	17.5	23.3	36	20.5	23.3	9,632	18.7	22.2	21.9
Upper	86	48.6	34.3	28,127	58.6	42.9	86	48.9	35.9	30,125	58.6	44.1	40.6
Unknown	14	7.9	13.8	2,798	5.8	13.5	22	12.5	16.3	5,113	9.9	16.3	0.0
Total	177	100.0	100.0	47,998	100.0	100.0	176	100.0	100.0	51,445	100.0	100.0	100.0
Refinance Loans													
Low	14	3.8	3.6	1,668	1.8	1.9	17	7.2	6.0	2,305	4.1	3.5	19.5
Moderate	41	11.1	13.2	7,075	7.5	9.4	27	11.4	16.5	4,681	8.3	12.8	18.0
Middle	66	17.9	18.8	13,884	14.8	16.2	50	21.2	22.1	11,141	19.7	20.3	21.9
Upper	236	64.1	41.5	68,951	73.5	48.8	131	55.5	35.7	36,752	65.0	42.6	40.6
Unknown	11	3.0	22.9	2,278	2.4	23.7	11	4.7	19.8	1,645	2.9	20.7	0.0
Total	368	100.0	100.0	93,856	100.0	100.0	236	100.0	100.0	56,524	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	7.7	0	0.0	5.7	2	40.0	5.1	127	34.6	3.9	19.5
Moderate	3	50.0	14.5	154	19.7	9.7	0	0.0	12.5	0	0.0	9.9	18.0
Middle	0	0.0	20.8	0	0.0	17.4	0	0.0	24.3	0	0.0	23.6	21.9
Upper	1	16.7	45.7	202	25.9	54.3	2	40.0	51.0	153	41.7	55.8	40.6
Unknown	2	33.3	11.3	425	54.4	12.8	1	20.0	7.1	87	23.7	6.7	0.0
Total	6	100.0	100.0	781	100.0	100.0	5	100.0	100.0	367	100.0	100.0	100.0

⁴ For HMDA loans, examiners did not evaluate the following categories of loans: other purpose, other purpose lines of credit, and loans with a purpose not applicable.

Distribution of 2020 and 2021 Home Mortgage Lending by Borrower Income Level Assessment Area: Billings MSA AA (1 of 2)													
Total Home Mortgage Loans													
Low	28	5.1	4.6	4,096	2.9	2.5	29	6.9	5.9	4,052	3.7	3.4	19.5
Moderate	71	12.9	16.2	13,455	9.4	12.3	49	11.7	17.1	9,636	8.9	13.3	18.0
Middle	103	18.7	20.8	22,323	15.6	18.9	86	20.6	22.5	20,773	19.1	21.1	21.9
Upper	323	58.5	38.5	97,280	68.2	46.0	219	52.4	36.2	67,030	61.8	43.6	40.6
Unknown	27	4.9	20.0	5,501	3.9	20.2	35	8.4	18.2	6,986	6.4	18.6	0.0
Total	552	100.0	100.0	142,655	100.0	100.0	418	100.0	100.0	108,477	100.0	100.0	100.0

Source: 2021 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.
Multifamily loans are not included in the borrower distribution analysis.

Distribution of 2020 and 2021 Home Mortgage Lending by Borrower Income Level Assessment Area: Billings MSA AA (2 of 2)													
Borrower Income Level	Bank And Aggregate Loans by Year												Families by Family Income %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Other Purpose LOC													
Low	0	0.0	3.0	0	0.0	1.3	0	0.0	6.9	0	0.0	6.1	19.5
Moderate	0	0.0	12.9	0	0.0	11.0	0	0.0	14.3	0	0.0	8.2	18.0
Middle	0	0.0	21.3	0	0.0	16.1	0	0.0	21.2	0	0.0	17.5	21.9
Upper	0	0.0	57.9	0	0.0	65.8	0	0.0	51.3	0	0.0	64.9	40.6
Unknown	0	0.0	5.0	0	0.0	5.9	0	0.0	6.3	0	0.0	3.4	0.0
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt													
Low	0	0.0	2.7	0	0.0	1.1	0	0.0	6.7	0	0.0	3.1	19.5
Moderate	0	0.0	13.5	0	0.0	13.3	0	0.0	16.2	0	0.0	13.3	18.0
Middle	1	100.0	21.6	20	100.0	13.1	0	0.0	26.7	0	0.0	19.1	21.9
Upper	0	0.0	45.9	0	0.0	43.7	0	0.0	41.9	0	0.0	59.5	40.6
Unknown	0	0.0	16.2	0	0.0	28.8	1	100.0	8.6	141	100.0	5.1	0.0
Total	1	100.0	100.0	20	100.0	100.0	1	100.0	100.0	141	100.0	100.0	100.0

Distribution of 2020 and 2021 Home Mortgage Lending by Borrower Income Level													
Assessment Area: Billings MSA AA (2 of 2)													
Purpose Not Applicable													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	19.5
Moderate	0	0.0	0.5	0	0.0	0.4	0	0.0	1.8	0	0.0	2.0	18.0
Middle	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	21.9
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	40.6
Unknown	0	0.0	99.5	0	0.0	99.6	0	0.0	98.2	0	0.0	98.0	0.0
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

In 2021, the bank originated 6.9% of its HMDA loans to low-income borrowers and 11.7% to moderate-income borrowers. According to 2021 FFIEC census data, 19.5% of the families in the AA are low income and 18.0% are moderate income. In 2021, aggregate lenders extended 5.9% of their HMDA loans to low-income borrowers and 17.0% to moderate-income borrowers. The bank’s lending to low- and moderate-income borrowers is below demographics. The bank’s lending to low-income borrowers is generally consistent with aggregate lenders, whereas its lending to moderate-income borrowers is below. In 2020, the bank’s lending to low-income borrowers (5.1%) is lower than demographics (19.5%) but is consistent with aggregate lenders (4.6%). For moderate-income borrowers, the bank’s lending (12.9%) is below demographics (18.0%) but closer to aggregate lenders (16.2%).

The bank’s overall HMDA lending is reasonable given the performance context. A community contact identified affordable housing concerns in the AA given high home prices; the average residential sales prices as of August 2021 were more than \$368,000, which is not affordable for low- and moderate-income individuals. Further, the contact noted that affordable homes usually require rehabilitation to bring them up to code and make them safe, which increases the overall cost. Using the assumption that a borrower can afford a home for approximately three times his or her annual income, an individual with the highest income in the low-income bracket (\$39,049) could afford a \$117,147 home, based on 2021 FFIEC estimated median family income for the Billings MSA. Using the same assumption for a borrower with the highest income in the moderate-income bracket (\$62,479), a borrower could afford a \$187,437 home. According to the 2015 FFIEC census data, the median housing value in the AA is \$194,126, which would not be affordable for many low- and moderate-income families.

Additionally, the bank operates in a very competitive environment. The bank ranked eighth out of 259 HMDA reporters in 2021 and eighth out of 221 HMDA reporters in 2020. The bank’s HMDA lending represents a small portion, 3.8% in 2021 and 4.9% in 2020, of all HMDA loans reported by aggregate lenders in the AA. The top ten reporters include regional banks, national banks, and Internet-based mortgage lenders.

Examiners also evaluated the bank’s 2018 and 2019 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2020 and 2021.

Small Farm Lending. The bank’s small farm lending is reasonable. The bank originated 94.7% of its small farm loans to entities with gross annual revenues of \$1 million or less, which is slightly below demographics. According to Dun & Bradstreet data, 97.6% of the farms in the AA have gross annual

revenues of \$1 million or less. The bank operates in a competitive banking environment for small farm loans, according to bank management. The bank originated 77.8% of its loans to small farms in amounts of \$100,000 or less, which indicates a willingness to serve the credit needs of smaller farm operators.

Small Farm Lending by Revenue and Loan Size of Farms					
Assessment Area: 2021 Billings MSA AA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	36	94.7	3,372	98.2	97.6
Over \$1 Million	2	5.3	62	1.8	1.8
Revenue Unknown	0	0.0	0	0.0	0.6
Total	38	100.0	3,434	100.0	100.0
By Loan Size					
\$100,000 or Less	30	78.9	1,115	32.5	
\$100,001 - \$250,000	2	5.3	312	9.1	
\$250,001 - \$500,000	6	15.8	2,007	58.4	
Total	38	100.0	3,434	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	28	77.8	1,053	31.2	
\$100,001 - \$250,000	2	5.6	312	9.3	
\$250,001 - \$500,000	6	16.7	2,007	59.5	
Total	36	100.0	3,372	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank’s small business, HMDA, and small farm loans in the Billings MSA AA is reasonable, and there are no unexplained gaps in lending.

Small Business Lending. The geographic distribution and dispersion of small business lending is reasonable. The following table shows the bank’s small business lending by census tract income level, as well as demographic data.

Distribution of Small Business Lending by Income Level of Geography					
Assessment Area: 2021 Billings MSA AA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	2.3
Moderate	12	13.6	2,317	12.9	27.8
Middle	54	61.4	9,766	54.4	56.3
Upper	22	25.0	5,858	32.7	13.5
Total	88	100.0	17,941	100.0	100.0
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The table above shows that the bank did not originate a small business loan in the low-income tract, but according to Dun & Bradstreet data, only 2.3% of businesses are located in this tract. The bank made 13.6% of its small business loans in moderate-income tracts, which is below demographics but explainable. The Billings MSA AA is considered a very competitive banking market, and many financial institutions operate in the downtown Billings area. The moderate-income tracts in the Billings MSA AA are located by the U.S. Interstate 90 corridor within the Billings city limits and eastern Carbon County. The bank extended small business loans in all but two moderate-income tracts in Yellowstone County; these tracts are not located as close to the bank’s branches as the other moderate-income tracts. The bank did not extend a small business loan in the moderate-income tract in Carbon County; the bank does not operate a branch in this county. The bank made most of its small business loans in middle-income tracts, which is where most businesses operate, based on Dun & Bradstreet data.

Residential Real Estate Lending. The geographic distribution and dispersion of the bank’s HMDA lending is reasonable. The following tables show the bank’s 2020 and 2021 HMDA lending, as well as aggregate lending data and demographic data.

Distribution of 2020 and 2021 Home Mortgage Lending by Income Level of Geography													
Assessment Area: Billings MSA AA (1 of 2)													
Geographic Income Level	Bank And Aggregate Loans by Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	##%	##%	\$(000)	\$%	\$%	#	##%	##%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	1	0.6	1.1	182	0.4	0.6	2	1.1	1.6	216	0.4	0.8	1.1
Moderate	17	9.6	12.8	3,056	6.4	9.7	25	14.2	13.6	6,178	12.0	10.6	17.4
Middle	121	68.4	66.2	32,895	68.5	66.9	114	64.8	65.0	31,739	61.7	65.0	62.6
Upper	38	21.5	19.8	11,865	24.7	22.7	35	19.9	19.9	13,312	25.9	23.6	19.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	177	100.0	100.0	47,998	100.0	100.0	176	100.0	100.0	51,445	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	0.5	0	0.0	0.2	4	1.7	0.8	363	0.6	0.4	1.1
Moderate	27	7.3	10.7	4,797	5.1	8.4	23	9.7	11.7	4,050	7.2	9.2	17.4
Middle	245	66.6	63.9	60,923	64.9	63.4	149	63.1	65.5	36,241	64.1	64.8	62.6
Upper	96	26.1	24.9	28,136	30.0	27.9	60	25.4	22.1	15,870	28.1	25.6	19.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	368	100.0	100.0	93,856	100.0	100.0	236	100.0	100.0	56,524	100.0	100.0	100.0

Distribution of 2020 and 2021 Home Mortgage Lending by Income Level of Geography													
Assessment Area: Billings MSA AA (1 of 2)													
Home Improvement Loans													
Low	0	0.0	0.9	0	0.0	0.7	0	0.0	1.6	0	0.0	1.4	1.1
Moderate	1	16.7	13.1	113	14.5	9.7	0	0.0	12.9	0	0.0	10.9	17.4
Middle	4	66.7	60.6	356	45.6	62.7	3	60.0	64.3	214	58.3	62.5	62.6
Upper	1	16.7	25.3	312	39.9	27.0	2	40.0	21.2	153	41.7	25.2	19.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	6	100.0	100.0	781	100.0	100.0	5	100.0	100.0	367	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	1	33.3	8.5	305	37.0	0.8	2	20.0	10.0	439	14.7	2.1	4.8
Moderate	2	66.7	38.3	520	63.0	62.6	3	30.0	41.7	1,061	35.5	36.1	39.5
Middle	0	0.0	51.1	0	0.0	33.4	4	40.0	45.0	1,252	41.9	61.3	42.2
Upper	0	0.0	2.1	0	0.0	3.2	1	10.0	3.3	237	7.9	0.4	13.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	825	100.0	100.0	10	100.0	100.0	2,989	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	2	0.4	0.8	487	0.3	0.4	8	1.9	1.2	1,018	0.9	0.7	1.1
Moderate	47	8.5	11.8	8,486	5.9	11.2	51	11.9	12.7	11,289	10.1	10.7	17.4
Middle	371	66.8	64.7	94,194	65.6	63.6	270	63.1	65.1	69,446	62.3	64.7	62.6
Upper	135	24.3	22.8	40,313	28.1	24.8	99	23.1	21.1	29,713	26.7	23.9	19.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	555	100.0	100.0	143,480	100.0	100.0	428	100.0	100.0	111,466	100.0	100.0	100.0
<p>2011-2015 U.S. Census Bureau: American Community Survey 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</p>													

Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography Assessment Area: Billings MSA AA (2 of 2)													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	##%	##%	\$(000)	\$%	\$%	#	##%	##%	\$(000)	\$%	\$%	
Other Purpose LOC													
Low	0	0.0	1.0	0	0.0	1.3	0	0.0	0.5	0	0.0	0.5	1.1
Moderate	0	0.0	8.4	0	0.0	6.4	0	0.0	12.7	0	0.0	7.1	17.4
Middle	0	0.0	60.9	0	0.0	58.4	0	0.0	61.4	0	0.0	50.8	62.6
Upper	0	0.0	29.7	0	0.0	33.8	0	0.0	25.4	0	0.0	41.5	19.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt													
Low	0	0.0	1.4	0	0.0	0.7	0	0.0	1.0	0	0.0	0.7	1.1
Moderate	0	0.0	14.9	0	0.0	19.8	0	0.0	9.5	0	0.0	5.7	17.4
Middle	1	100.0	63.5	20	100.0	47.1	0	0.0	67.6	0	0.0	74.3	62.6
Upper	0	0.0	20.3	0	0.0	32.4	1	100.0	21.9	141	100.0	19.2	19.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	1	100.0	100.0	20	100.0	100.0	1	100.0	100.0	141	100.0	100.0	100.0
Purpose Not Applicable													
Low	0	0.0	0.5	0	0.0	0.2	0	0.0	1.8	0	0.0	0.2	1.1
Moderate	0	0.0	15.4	0	0.0	10.8	0	0.0	21.4	0	0.0	15.1	17.4
Middle	0	0.0	69.8	0	0.0	72.1	0	0.0	62.5	0	0.0	65.1	62.6
Upper	0	0.0	14.3	0	0.0	16.8	0	0.0	14.3	0	0.0	19.7	19.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.													

In 2021, the bank originated 1.9% of its HMDA loans in the low-income tract and 11.9% in the moderate-income tracts. According to 2021 FFIEC adjusted census data, 1.9% and 17.0% of the families in the AA reside in the low- and moderate-income tracts, respectively. Moreover, 1.1% and 17.4% of the owner-occupied housing units are located in the low- and moderate-income tracts, respectively. For 2021, aggregate lenders originated 1.2% of their HMDA loans in the low-income tract and 12.7% of their loans in the moderate-income tracts. The bank's lending in the low-income tract is consistent with aggregate lenders and demographics. The bank's lending in the moderate-income tracts is below demographics but consistent with aggregate lenders. In 2020, the bank originated 0.4% of its HMDA loans in the low-income tract and 8.5% in the moderate-income tracts. The bank's lending in the low-income tract is generally consistent with demographics (1.1%) and aggregate lenders (0.8%). The bank's lending in the moderate-income tracts is below demographics (17.4%), but closer to aggregate (11.8%).

The bank extended HMDA loans in all moderate-income tracts in the Billings MSA AA in 2021. The bank extended HMDA loans in all but one moderate-income tract in 2020; this tract is not as close to the bank’s offices as several other moderate-income tracts.

The bank’s distribution and dispersion of HMDA loans is reasonable based on the performance context. Management and community contacts identified the Billings area as a banking market with strong competition.

Examiners also evaluated the bank’s 2018 and 2019 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2020 and 2021.

Small Farm Lending. The geographic distribution and dispersion of small farm loans is reasonable. The following table shows the bank’s small farm lending by census tract income level, as well as demographic data.

Distribution of 2021 Small Farm Lending by Income Level of Geography					
Assessment Area: Billings MSA AA					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.2
Moderate	2	5.3	63	1.8	10.2
Middle	30	78.9	2,836	82.6	69.2
Upper	6	15.8	535	15.6	20.4
Total	38	100.0	3,434	100.0	100.0
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank did not originate a small farm loan in the low-income tract, which is reasonable because the tract is located in the downtown Billings area. According to Dun & Bradstreet data, only 0.2% of farms operate in the low-income tract, and 10.2% are in moderate-income tracts. As mentioned, the moderate-income tracts in the Billings MSA AA are located by the U.S. Interstate 90 corridor within the Billings city limits and eastern Carbon County. The bank extended two small farm loans in the moderate-income tract in Carbon County. The bank did not originate small farm loans in the moderate-income tracts in and near downtown Billings, which is explainable given the urban nature of the area. Moreover, the moderate-income tracts further along the interstate are not considered prime farming areas, according to bank management. Although the bank’s small farm lending in moderate-income tracts is below demographics, it is reasonable. The bank made most of its small farm loans in middle-income tracts, which is where most farms operate, based on Dun & Bradstreet data.

COMMUNITY DEVELOPMENT TEST

The bank’s overall level of community development activities shows excellent responsiveness to community development needs in the Billings MSA AA. The bank engaged in community development lending and services and made qualified investments in the form of securities and donations.

Community Development Loans. The bank's community development lending in the Billings MSA AA is excellent. The bank originated 12 community development loans totaling \$21.3 million that benefited the AA. The bank's community development loans primarily helped to revitalize or stabilize low- or moderate-income areas and promote economic development. The largest loan, for \$5.0 million, was to a business located in a moderate-income tract in a Billings revitalization district. The bank also extended one loan for nearly \$2.0 million to an area affordable housing organization, which is highly responsive to identified needs. Of the 12 community development loans, eight were pandemic-related PPP loans, which are particularly responsive.

Finally, during the evaluation period, the bank established a few letters of credit for an area affordable housing organization. While letters of credit are not community development loans, examiners consider them when evaluating an institution's performance.

Qualified Investments, Including Donations. The bank's level of qualified investments, including donations, in the Billings MSA AA is excellent. Since the previous evaluation, the bank purchased four new bonds totaling \$1.3 million that funded campus improvements to three schools, benefiting low- and moderate-income children in the Billings MSA AA. Bank management and community contacts indicated that there have been limited opportunities to acquire CRA-eligible securities, and that competition is strong. The bank also held three prior-period securities totaling \$600,000 that matured during the evaluation period. The bank made donations totaling \$161,766 in the Billings MSA AA, including a \$50,000 donation to a local health organization that primarily serves low- and moderate-income individuals. This donation supported the community during the COVID-19 pandemic and is highly responsive. The bank's donations primarily benefited low- and moderate-income individuals, including youth, but donations also supported affordable housing, economic development, and revitalization or stabilization efforts.

Community Development Services. The bank provided an adequate level of services in the Billings MSA AA. The bank provided 57 community development services to 13 organizations. Bank officers and staff provided financial expertise primarily to organizations that serve low- and moderate-income persons, including youth, but also to organizations that promote economic development, support affordable housing, and promote revitalization or stabilization of low- or moderate-income areas. Bank employees served on the board, loan committees, and finance committees, for example.

NONMETROPOLITAN AREAS – LIMITED REVIEW

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE BOZEMAN, MONTANA, ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank’s CRA performance in the Bozeman AA. They determined that the bank’s lending test performance in this AA is generally consistent with the bank’s overall performance. However, the bank’s community development performance in this AA is below that of the bank’s overall performance due to the lack of qualified investments (including donations) and community development services. This does not change the overall conclusion. Examiners analyzed the bank’s small business and HMDA loans and evaluated community development activities to ascertain consistency with the bank’s overall performance. Examiners did not review small farm loans because the bank did not extend any small farm loans in this AA.

The bank has limited loan volume in this AA during the evaluation period. The bank originated 10.1% of its loans by number and has 8.2% of its deposits in the Bozeman AA. According to the June 30, 2021, FDIC Deposit Market Share Report, the bank ranks 11th out of 15 financial institutions with deposits in Gallatin County, with a 1.4% market share.

As at the previous evaluation, the Bozeman AA includes Gallatin County, which is comprised of 22 census tracts. The AA consists of one low-, two moderate-, seven middle-, and 12 upper-income tracts. No changes in the income designation of tracts occurred during the evaluation period. The population of the AA is 95,323, according to the 2021 FFIEC adjusted census data.

The bank operates one full-service branch in Bozeman, which is in an upper-income tract. The branch has a cash-dispensing-only ATM and a drive-up facility with extended weekday hours.

The bank originated one community development loan in this AA and it is noteworthy. Specifically, the bank extended \$1.5 million to an organization that provides shelter and housing to those in need.

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE SIDNEY, MONTANA, ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank’s CRA performance in the Sidney AA. We determined the bank’s lending test performance in this AA is generally consistent with the bank’s overall performance. However, the bank’s community development performance in this AA is below that of the bank’s overall performance due to the lack of community development lending and CRA-eligible securities. This does not change the overall conclusion. The bank’s level of community development services and donations increased since the previous evaluation. Examiners analyzed the bank’s small business and HMDA loans and evaluated community development activities to ascertain consistency with the bank’s overall performance. Examiners did not review small farm loans due to low volume in this AA.

The bank has limited loan volume in this AA during the evaluation period. The bank originated 2.7% of its loans by number and has 10.6% of its deposits in the Sidney AA. According to the June 30, 2021, FDIC Deposit Market Share Report, the bank ranks third out of four financial institutions with deposits in Richland County, with a 14.4% market share, which is well below the bank ranked first with a 63.6% market share.

As at the previous evaluation, the Sidney AA includes Richland County, which is comprised of four census tracts. The AA consists of two middle- and two upper-income tracts. No changes in the income designation of tracts occurred during the evaluation period. The population of the AA is 11,132, according to the 2021 FFIEC census data.

The bank operates one full-service branch in Sidney, which is in an upper-income tract. The branch has a cash-dispensing-only ATM and a drive-up facility, and the branch offers reasonable weekday hours.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE BROADUS, MONTANA, ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank's CRA performance in the Broadus AA, which is a new AA beginning in 2021 due to the bank acquisition in September of that year, as previously discussed. We determined that the bank's lending test performance in this AA is generally consistent with the bank's overall performance. However, the bank's community development performance in this AA is below that of the bank's overall performance due to the lack of community development activity since the acquisition. This does not change the overall conclusion. Examiners analyzed the bank's small farm loans and evaluated community development activities to ascertain consistency with the bank's overall performance. Examiners did not review other loan products due to low volume in this AA.

The bank has limited loan volume in this AA. The bank originated 1.7% of its loans by number in the Broadus AA. According to the June 30, 2021, FDIC Deposit Market Share Report, which is before the acquisition, 1st Bank was the only FDIC-insured financial institution with deposits in Powder River County.

The Broadus AA consists of Powder River County, which includes one census tract. This middle-income tract is designated as underserved. The population of the AA is 1,703, according to the 2021 FFIEC adjusted census data.

The bank operates one full-service branch with a drive-up facility in Broadus and offers reasonable weekday hours.

Appendix A

Glossary of Common CRA Terms

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 metropolitan statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on 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: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It 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.

Distressed nonmetropolitan middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% or more over the 5-year period preceding the most recent census.

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 nonrelatives 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-scope review: Performance 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., 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 do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, or withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

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-scope review: Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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 metropolitan statistical area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA 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 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 multistate MSA. 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 multistate MSA, the institution will receive a rating for the multistate metropolitan area.

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

Small loan to farm: 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 classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper income: Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)