

PUBLIC DISCLOSURE

June 12, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Valley Bank of Ronan
RSSD# 624956

63659 Highway 93 South
Ronan, MT 59864

Federal Reserve Bank of Minneapolis

90 Hennepin Avenue North
Minneapolis, MN 55401

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

Valley Bank of Ronan (the bank) is rated Outstanding. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- A reasonable distribution of loans occurs throughout the bank's AA.
- Overall, lending reflects an excellent distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.
- The bank's investment record enhances credit availability in the AA.
- The bank's record of providing branches and services enhances credit availability in the AA.

SCOPE OF EXAMINATION

Examiners used the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's only AA. Examiners reviewed the following data:

- The bank's 21-quarter average NLTD ratio;
- A statistical sample of 56 residential real estate loans originated between January 1, 2022, and December 31, 2022, as well as a statistical sample of 131 consumer loans and 45 small business loans originated between July 1, 2022, and December 31, 2022¹; and
- At the option of bank management, the bank's qualified investments and community development services, as well as community development loans.

Of the five core lending test criteria, examiners placed equal and greatest weight on borrower distribution and the geographic distribution of loans, followed by lending inside the AA and the NLTD ratio. By loan product, examiners placed the greatest weight on small business lending followed by residential real estate, then consumer loans.

¹ 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 are designed to help businesses, including farms, keep their workforces employed during the COVID-19 pandemic. Examiners considered the bank's PPP loans in their evaluation of the bank's small business loans.

Neither Valley Bank of Ronan nor the Reserve Bank has received any CRA-related complaints since the previous evaluation.

In accordance with the Small Bank CRA Examination Procedures, examiners reviewed the bank’s qualified investments, community development services, and community development loans. The bank’s high level of community development activities enhances the overall CRA rating. The evaluation period for community development activities is from March 21, 2018, to June 12, 2023.

DESCRIPTION OF INSTITUTION

Valley Bank of Ronan is a community bank headquartered in Ronan, Montana. The bank’s characteristics include:

- The bank is a partially owned subsidiary of Valley Holding Company, Ronan, Montana. Valley Holding Company owns the majority of stock of the bank; no other shareholder owns more than 5% of the Bank’s stock.
- The bank has total assets of \$166.2 million as of March 31, 2023.
- In addition to its main office in Ronan, the bank has seven branches: one each in Polson, Arlee, Hot Springs, Thompson Falls, and Pablo; and two in St. Ignatius, Montana. The Pablo branch and one of the St. Ignatius branches are limited service. Each of these eight locations offer cash-dispensing-only ATMs.
- The bank operates eight additional cash-dispensing-only ATMs, three of which are located in St. Ignatius, two in Charlo, two in Ronan, and one in Plains, Montana.
- As shown in Table 1, the bank’s primary business focus is commercial and residential real estate lending. In addition, consumer closed-end lending represents a significant portion of the portfolio by number of loans. The level of lending within each of these product lines has increased since the prior exam period, but the relative portfolio composition has remained consistent.

Table 1 Composition of Loan Portfolio as of March 31, 2023		
Loan Type	\$(000)	%
Commercial	\$54,550	51.2%
Residential Real Estate	\$22,902	21.5%
Agricultural	\$17,021	16.0%
Consumer – Closed End	\$8,524	8.0%
Consumer – Open End	\$1,868	1.8%
Other	\$1,674	1.6%
Gross Loans	\$106,539	100.0%
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Outstanding under the CRA at its March 20, 2018, performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank’s Ronan AA consists of Sanders County and most of Lake County (see Appendix A for an AA map and Appendix B for additional demographic data).

- While there have been no changes to the bank’s AA boundaries since the previous evaluation, the 2020 census resulted in the number of census tracts in the bank’s AA increasing. In the northwest portion of Sanders County, a single census tract was divided in two. Similarly, the northeast portion of the bank’s AA in Lake County was remapped to include four tracts instead of two. As such, the number of census tracts in the bank’s AA increased from nine to 12 since the previous evaluation.
- The bank’s AA consists of six moderate- and six middle-income census tracts. At the prior evaluation, there were a total of four moderate-income tracts and five middle-income tracts. The middle-income tracts were designated as distressed. The FFIEC removed the distressed designations as of 2019.
- According to the June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks second of six FDIC-insured financial institutions with offices in the AA and holds 16.2% of the deposits.
- The Flathead Indian Reservation is home to the Confederated Salish and Kootenai Tribes of the Flathead Nation. The reservation includes portions of Sanders, Lake, Missoula, and Flathead counties. A large portion of the bank’s AA lies within the boundaries of the Reservation. Tribal headquarters are in Pablo, Montana, which is six miles north of Ronan.
- Examiners conducted three community contact interviews. Examiners spoke with representatives from community development organizations and representatives from a housing authority.

Table 2 Ronan AA Population Change			
Area	2015 Population	2020 Population	% Change
Ronan AA 2022	40,503	43,534	7.5%
Lake County, MT	29,157	31,134	6.8%
Sanders County, MT	11,346	12,400	9.4%
NonMSA Montana	647,395	697,722	7.9%
Montana	1,014,699	1,084,225	6.9%
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i>			

- As shown in Table 2, while the overall AA population increased slightly, both counties and the state of Montana grew at a moderate rate.
- Community contacts and bank management said people at or near retirement age are moving into the AA from other states along with some individuals working remotely who are attracted to the outdoor lifestyle.
- Community contacts noted that Sanders County is somewhat unique in that the population skews both old and young without strong representation among the typical working age population. They stated that while there has been some population growth in the area, it remains a remote area, which is an impediment to labor participation generally and may impact small business loan demand.

Table 3			
Ronan AA Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	% Change
Ronan AA 2022	\$51,063	\$59,572	16.7%
Lake County, MT	\$55,771	\$63,397	13.7%
Sanders County, MT	\$42,586	\$52,803	24.9%
NonMSA Montana	\$65,311	\$70,967	8.8%
Montana	\$66,943	\$72,773	8.7%

*Source: 2011 - 2015 U.S. Census Bureau American Community Survey
2016 - 2020 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.*

- As shown in Table 3, the median family income increased in the AA since 2015 and outpaced statewide changes.
- Based on 2022 FFIEC adjusted census data, low- and moderate-income households comprise 47.2% of all households in the AA.
- The same data indicate that 17.1% of households in the AA live below the poverty line, which is above the state’s overall percentage of 12.7%.
- While median family income increased during the review period, community contacts explained this is largely due to wealthy individuals at or near retirement age and people who work remotely moving into the area. While wages in the service and hospitality industries have increased to attract and retain employees, wealthy retirees and out of state employment are more significant contributors to the increase in median family income.

Table 4 Ronan AA Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Ronan AA 2022	61.2%	19.9%	36.6%	48.9%	32.9%	24.6%
Lake County, MT	56.5%	20.4%	32.2%	49.1%	37.3%	25.6%
Sanders County, MT	71.5%	18.1%	49.4%	48.5%	24.2%	22.3%
NonMSA Montana	64.3%	21.9%	35.5%	53.7%	28.4%	20.6%
Montana	68.8%	27.7%	38.3%	55.5%	29.9%	20.4%

Cost Burden is housing cost that equals 30 percent or more of household income
Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy

- Community contacts highlighted the need for low-income rental properties due to a lack of inventory and rising rental costs. This trend is reflected in Table 4, as low-income renters experience a significantly greater housing cost burden compared to moderate-income renters and the aggregation of all renters. According to the June 2023 *Flathead Indian Reservation Housing Needs Assessment Final Report (Needs Assessment)*, 2,400 additional housing units would be required to comfortably house the current population.
- Both the bank and community contacts noted housing prices continue to rise, making it more difficult for first-time buyers to become homeowners. As illustrated in Table 4, this is reflected in the higher cost burden associated with home ownership for low-income owners.
- According to the *Needs Assessment*, if homeownership opportunities are made available for approximately \$200,000, nearly half of interested households could afford a mortgage without paying more than 30% of household income. According to Rocket Homes Real Estate, LLC, the median sales price for homes on the Flathead Indian Reservation as of June 2022 was \$441,500.
- According to the bank, home lending increased greatly with the low interest environment during the pandemic and is beginning to decline as rates increase.
- The bank and community contacts both mentioned the higher prices of area homes because of increases in demand for housing from people moving into Montana, including the AA.

Table 5 Ronan AA Unemployment Rates				
Area	2018	2019	2020	2021
Ronan AA 2022	4.9%	4.8%	6.5%	4.1%
Lake County, MT	4.3%	4.3%	6.1%	3.8%
Sanders County, MT	6.4%	6.0%	7.7%	4.8%
NonMSA Montana	3.9%	3.7%	5.8%	3.4%
Montana	3.7%	3.6%	5.8%	3.4%

- Although unemployment rates increased in 2020 during the COVID-19 pandemic, the 2021 rates are lower than at the previous evaluation, as shown in Table 5.
- According to bank management and community contacts, primary area industries and employers include St. Luke Community Healthcare, a regional operator of hospitals and clinics; Rocky Mountain Twist Corp., Ronan, Montana, a manufacturer of precision-machined parts; the Confederated Salish and Kootenai tribes; local schools; the agricultural sector; and the hospitality and service industries, particularly because tourism is a central economic driver in the region.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions, as well as the national composite of peer NLTD ratios. The similarly situated institution was selected based on asset size, product offerings, and location (within the AA). The bank’s national peer group is insured commercial banks having assets between \$100 million and \$300 million, with three or more full-service banking offices and not located in a metropolitan statistical area (MSA).

The bank’s NLTD ratio is reasonable. As of March 31, 2023, the bank’s NLTD ratio was 69.5%, which was generally consistent with the peer group ratio of 69.0%. As shown in Table 6, the bank’s average NLTD for the past 21 quarters is 62.9%, which is below the similarly situated bank’s ratio of 72.8%. The bank’s NLTD ratio was at its lowest (54.3%) in December 2020, and its highest (69.5%) in March 2023. The bank’s ratio decreased during the pandemic but has been steadily increasing over the most recent seven quarters. At the previous evaluation, the bank’s 21-quarter average was 58.1%.

Table 6			
Comparative NLTD Ratios as of March 31, 2023			
Institution	Location	Asset Size \$(000)	NLTD Ratio (%)
			21-Quarter Average
Valley Bank of Ronan	Ronan, Montana	\$166,229	62.9%
Similarly Situated Institution			
Eagle Bank	Polson, Montana	\$120,860	72.8%

Community Development Loans. The bank extended six community development loans during the review period for approximately \$6.4 million. Most of the loans helped create or retain jobs and retain residents in moderate-income census tracts in the AA. One loan to a tribally-owned

business helped revitalize and stabilize a moderate-income area. The bank’s community development lending enhances its lending performance and shows the bank’s willingness to meet the credit-based needs of the AA.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. As shown in Table 7, the bank originated a majority of the bank’s loans, by number and dollar, inside the AA, specifically 85.8% by number and 79.0% by dollar amount. Seventeen of the loans made outside the AA were made in the northeastern portion of Missoula County, which is next to the bank’s AA and is part of the Missoula, MT, MSA. There were no other concentrations of loans outside the AA.

Table 7 Lending Inside and Outside the AA								
Loan Type	Inside				Outside			
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%
Consumer	112	85.5	1,002	82.1	19	14.5	218	17.9
Residential Real Estate	50	89.3	11,954	83.7	6	10.7	2,320	16.3
Small Business	37	82.2	4,042	67.2	8	17.8	1,976	32.8
Total Loans	199	85.8	16,998	79.0	33	14.2	4,514	21.0

Note: Percentages may not total 100.0 percent due to rounding.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts with consideration given to the dispersion of loans throughout the AA. The bank’s geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA. The bank originated loans in all census tracts that comprise the AA. Examiners did not identify any unexplained gaps in lending.

Small Business Lending

The geographic distribution of small business lending is reasonable. As shown in Table 8, the bank originated 54.1% of its 2022 small business loans in moderate-income census tracts (61.9% by dollar volume). The bank’s lending in moderate-income tracts is consistent with businesses by tract, as 54.0% of small businesses in the AA are located in moderate-income tracts, according to Dun & Bradstreet data.

The bank originated small business loans in all but two tracts in the AA, one of which is moderate-income tract 2.01 in the northwestern portion of Sanders County; this tract is more than 25 miles from the bank’s closest branch. According to a community contact, economic activity is limited in Sanders County, which is also supported by data published by the Montana Department of

Labor showing only three major employers in the county. The bank’s dispersion of small business lending is reasonable.

Table 8					
Ronan AA Distribution of 2022 Small Business Lending by Income Level of Geography					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	20	54.1	2,504	62.0	54.0
Middle	17	45.9	1,537	38.0	46.0
Upper	0	0.0	0	0.0	0.0
Total	37	100.0	4,042	100.0	100.0

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Home Mortgage Lending

The geographic distribution of home mortgage lending is reasonable. As shown in Table 9, the bank originated 42.0% of its home mortgage loans to borrowers located in moderate-income census tracts. While this percentage is below demographics, as 51.1% of families reside in moderate-income tracts, conversations with bank management and community contacts highlighted rising house prices and extremely low inventory of affordable homes in the AA. The bank’s level of lending in moderate-income tracts is also lower than the percentage of owner-occupied units in these tracts, which is 58.8%, but is nonetheless reasonable. Bank management and community contacts explained that much of the housing stock is vacation homes or vacation rentals, which could limit the bank’s ability to extend home mortgage loans, particularly home purchase loans. The bank extended at least one home loan in each census tract in the AA.

Table 9					
Ronan AA Distribution of 2022 Home Mortgage Lending by Income Level of Geography					
Geographic Income Level	Bank Loans				Owner Occupied Units %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	21	42.0	4,674	39.1	58.8
Middle	29	58.0	7,280	60.9	50.9
Upper	0	0.0	0	0.0	0.0
Total	50	100.0	11,954	100.0	54.8

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data

Note: Percentages may not total 100.0 percent due to rounding.

Consumer Lending

The geographic distribution of consumer lending is reasonable. As shown in Table 10, the bank made 37.5% of its consumer loans in moderate-income census tracts, which is below demographics but nonetheless reasonable. According to demographic data, 53.1% of households in the AA are in moderate-income census tracts. The bank’s consumer lending is concentrated in Lake County, where six of its offices and two moderate-income census tracts are located. The remaining four moderate-income census tracts are in Sanders County, which has two branches. The bank made the most consumer loans in Lake County’s middle-income census tract 9406.00, where its St. Ignatius branches are located and where the bank has less competition than in Ronan.

The bank originated consumer loans in all but one moderate-income census tract in the AA, tract 2.01 in Sanders County. The bank’s dispersion of consumer lending is reasonable.

Table 10					
Ronan AA Distribution of 2022 Consumer Lending by Income Level of Geography					
Geographic Income Level	Bank Loans				Households %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	42	37.5	435	43.4	53.1
Middle	70	62.5	567	56.6	46.9
Upper	0	0.0	0	0.0	0.0
Total	112	100.0	1,002	100.0	100.0
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

This performance criterion evaluates the bank’s lending to borrowers of different income levels and businesses of different revenue sizes. Overall, the bank’s lending has an excellent distribution among individuals of different income levels and businesses of different sizes.

Small Business Lending

The borrower distribution of small business lending is excellent. The bank originated 83.8% of its small business loans to businesses with gross annual revenues of \$1 million or less, as shown in Table 11. While the bank’s lending is below demographics, which indicate that 93.0% of businesses in the AA have gross annual revenues of \$1 million or less, only six loans in the sample were to borrowers with revenues greater than \$1 million, and two were to the same borrower. In addition, 73.0% of the loans the bank originated to small businesses were for \$100,000 or less, which indicates the bank’s willingness to serve the credit needs of smaller businesses in the AA.

The bank also actively participated in PPP lending between April 2020 and May 2021. The bank originated over 250 PPP loans to commercial borrowers in Lake and Sanders counties. The data indicate that 76.0% of these loans were for loan amounts of less than \$25,000. The bank’s extension of PPP loans during the COVID-19 pandemic was very responsive to the credit needs of small businesses, which enhances the bank’s small business lending performance.

Table 11					
Ronan AA Distribution of 2022 Small Business Lending by Revenue Size of Businesses					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	31	83.8	3,371	83.4	93.0
Over \$1 Million	6	16.2	671	16.6	5.2
Revenue Unknown	0	0.0	0	0.0	1.7
Total	37	100.0	4,042	100.0	100.0
By Loan Size					
\$100,000 or Less	27	73.0	1,196	29.6	
\$100,001 - \$250,000	5	13.5	859	21.2	
\$250,001 - \$1 Million	5	13.5	1,986	49.2	
Total	37	100.0	4,042	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or Less	23	74.2	1,026	30.4	
\$100,001 - \$250,000	4	12.9	658	19.5	
\$250,001 - \$1 Million	4	12.9	1,686	50.0	
Total	31	100.0	3,371	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Home Mortgage Lending

The borrower distribution of home mortgage lending is reasonable. In the AA, 28.0% of families are classified as low income, while 21.2% are classified as moderate income, as shown in Table 12. While the bank’s home mortgage lending to low- and moderate-income borrowers is below demographics at 18.0% and 14.0% respectively, rising home prices have impeded the ability of low- and moderate-income individuals and families to purchase homes. Both bank management and community contacts described a lack of affordable housing inventory in the AA; as stated previously, the median sales price for homes on the Flathead Indian Reservation was over \$440,000 in 2022. These factors help explain the bank’s level of lending volume to low- and moderate-income borrowers.

Table 12 Ronan AA Distribution of 2022 Home Mortgage Lending by Borrower Income Level					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	%	
Low	9	18.0	953	8.0	28.0
Moderate	7	14.0	1,111	9.3	21.2
Middle	15	30.0	3,978	33.3	20.2
Upper	19	38.0	5,913	49.5	30.6
Total	50	100.0	11,954	100.0	100.0
<i>Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Consumer Lending

The borrower distribution of consumer lending is excellent. In the AA, 30.3% of households are classified as low income, while 16.9% are considered moderate income as shown in Table 13. By number, the bank originated 56.3% of its consumer loans to low-income borrowers and 22.3% to moderate-income borrowers. In aggregate, 78.6% of consumer lending was to low- and moderate-income borrowers combined, far outpacing the demographic, as 47.2% of the households in the AA are considered low- and moderate-income. The bank’s excellent level of lending is also reflected in the dollar amount of loans to low- and moderate-income borrowers, at 62.5% of consumer lending, which also significantly exceeds demographic information. Of the loans extended to low- and moderate-income borrowers, 42.0% were for less than \$3,000. The bank’s performance indicates its willingness to meet the credit needs of low- and moderate-income borrowers in the AA.

Table 13 Ronan AA Distribution of 2022 Consumer Lending by Borrower Income Level					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	%	
Low	63	56.3	335	33.5	30.3
Moderate	25	22.3	290	29.0	16.9
Middle	11	9.8	178	17.8	18.7
Upper	12	10.7	197	19.7	34.1
Unknown	1	0.9	1	0.1	0.0
Total	112	100.0	1,002	100.0	100.0
<i>Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Investments and Services

Since the previous evaluation, the bank made qualified investments and provided services that enhance credit availability in its AA as well as the bank's overall CRA rating. The level of qualified investments and services is particularly noteworthy given the bank's asset size. Several of the bank's qualified investments, including donations and community development services, are impactful and highly responsive to community needs.

Qualified Investments. The level of qualified investments is significant and enhances the bank's CRA performance. Since the previous evaluation, the bank purchased nine securities for \$1.7 million that each directly benefited the bank's AA or a broader regional area that includes the AA. These investments provide financing to area and regional school districts, where a majority of students are from low- and moderate-income families. The bank also continues to hold one prior-period security that helped to improve the local waterfront in Polson, Montana.

In addition, because the bank was responsive in meeting credit and community development needs of its AA, examiners also considered community development activity outside of its AA. The bank purchased four securities for \$1.7 million that benefited other areas of Montana; these investments helped provide education to low- and moderate-income individuals and served to revitalize and stabilize a moderate-income tract.

The bank also made numerous qualified investments in the form of donations benefiting its AA, totaling more than \$104,000 during the evaluation period. Of note are the following donations:

- The bank made a \$50,000 donation over five years to an organization that provides a safe and positive environment for children in the community to learn and grow, which primarily serves low- and moderate-income children of both elementary and middle school age on the Flathead Indian Reservation and in Lake County. The donation helped the organization with building costs and meeting their mission.
- The bank made a high number of small dollar donations as well as several substantial donations to area schools, including a local college, which serve low- and moderate-income individuals including tribal members. These donations funded a variety of purposes including scholarships, building improvements, and extracurricular activities, enriching students' educational experience.
- The bank made a large donation to a local nonprofit healthcare provider that operates a critical access hospital and several clinics in and surrounding the Flathead Indian Reservation as well as Lake and Sanders counties. The donation helped attract and retain residents in several moderate-income tracts.

Provision of Services. The bank's record of providing branches and ATMs enhances the availability of credit in its AA. The bank operates eight offices with ATMs and an additional six stand-alone ATMs in the AA. The Ronan main office, three branches (Pablo, Hot Springs, and Thompson

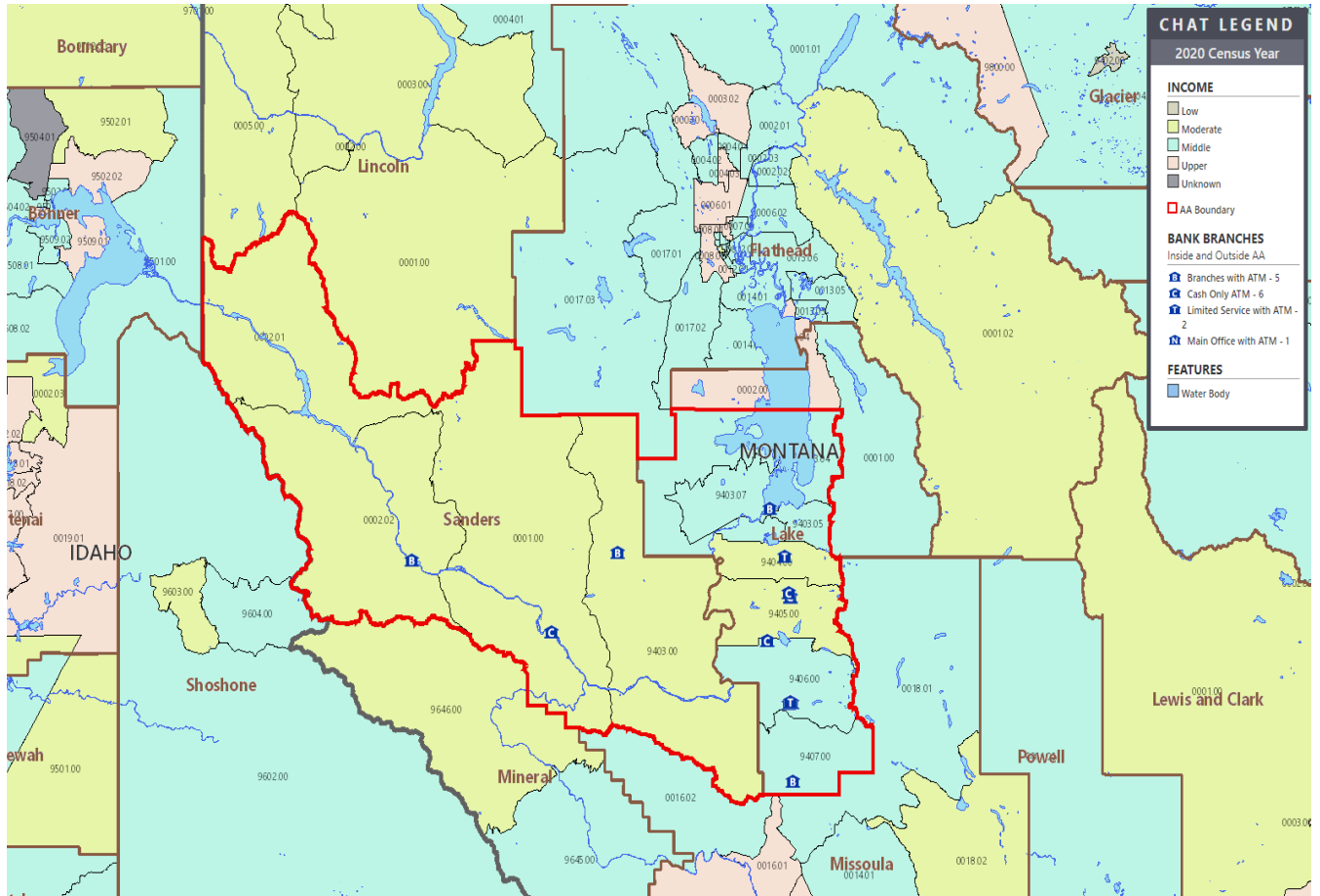
Falls), and three of the stand-alone ATMs are in the moderate-income census tracts; the remaining branches and ATMs are in the middle-income census tracts. The Pablo office is limited service; however, it is about six miles from the full-service Ronan office and 9 miles from the full-service Polson office. The Hot Springs and Thompson Falls offices are also full-service. All the bank's ATMs are cash-dispensing only. The bank did not open or close any branches during the evaluation period; however, it opened three ATMs in middle-income census tracts. In addition, the bank moved the Polson office from one middle-income tract to another; it is now approximately 250 feet from its previous location.

The bank provided many community development services that enhance its CRA performance. Bank management and community contacts both mentioned the bank's commitment to service, and the breadth and range of services provided substantiated this commitment. Eight employees provided community development services during the evaluation period to 22 organizations or programs. Notably, the bank expanded its scholarship program during the evaluation period to all the area high schools. This program helps to fund the cost of higher education for low- and moderate-income students and includes a financial literacy component, to which the bank also dedicates resources. Officers and bank staff provided services to organizations that provide community services to low- and moderate-income individuals, promote economic development, and provide affordable housing in the AA. The bank contributed expertise to organizations and programs that promote economic development and address housing needs on the Flathead Indian Reservation for the benefit of tribal members. At these organizations, bank staff holds a variety of positions, including serving on the board of directors, fundraising, and instructing financial literacy classes. The bank's services are very responsive to the identified needs of the AA.

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 and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION

RONAN AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,862	28.0
Moderate	6	50.0	5,224	51.1	761	14.6	2,164	21.2
Middle	6	50.0	5,002	48.9	455	9.1	2,068	20.2
Upper	0	0.0	0	0.0	0	0.0	3,132	30.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	12	100.0	10,226	100.0	1,216	11.9	10,226	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	10,329	6,075	53.2	58.8	2,319	22.5	1,935	18.7
Middle	10,507	5,352	46.8	50.9	2,057	19.6	3,098	29.5
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	20,836	11,427	100.0	54.8	4,376	21.0	5,033	24.2
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1,116	54.0	1,036	53.9	59	54.6	21	58.3
Middle	949	46.0	885	46.1	49	45.4	15	41.7
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,065	100.0	1,921	100.0	108	100.0	36	100.0
Percentage of Total Businesses:				93.0		5.2		1.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	155	59.2	154	59.2	1	50.0	0	0.0
Middle	107	40.8	106	40.8	1	50.0	0	0.0
Upper	0	0.0	0	0.0	0	0	0	0.0
Unknown	0	0.0	0	0.0	0	0	0	0.0
Total AA	262	100.0	260	100.0	2	100.0	0	0.0
Percentage of Total Farms:				99.2		0.8		0.0
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

APPENDIX C – GLOSSARY

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 area/assessment area.

Census tract: 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 statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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, 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 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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and 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 (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. 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.

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 a geography.