

PUBLIC DISCLOSURE

December 9, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank
RSSD# 642857

540 Second Avenue South
Glasgow, Montana 59230

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P. O. Box 291
Minneapolis, Minnesota 55480

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 CRA RATING

First Community Bank (the bank) is rated **Satisfactory**. 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 credit needs in its assessment areas (AA).
- A majority of the bank's loans are originated inside the AAs.
- A reasonable dispersion of loans occurs throughout the bank's AAs.
- Overall, lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and farms of different sizes.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC) Interagency Examination Procedures for Small Institutions were used to evaluate the bank's CRA performance. The evaluation considered the 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. The bank has four AAs for CRA purposes. Examiners conducted full-scope reviews of the bank's Glasgow and Helena AAs and limited-scope reviews of the bank's Three Forks and Ashland AAs. Examiners reviewed the following data:

- The bank's 21-quarter average NLTD ratio.
- Statistical samples of 125 small farm loans originated between January 1, 2018, and December 31, 2018, and 97 residential real estate (RRE) loans originated between July 1, 2018, and December 31, 2018. Examiners gave slightly greater weight to small farm loans than to RRE loans, based on the bank's business strategy. While small farm loans represent the largest percentage of the bank's loan portfolio, as shown in Table 1, the bank's RRE loans represent a significant percentage of the bank's loan originations.
- Loan data that the bank provided, and deposit data. The Three Forks and Ashland AAs each represent less than 4.0% of the bank's total deposits, as well as a small portion of the bank's loan originations. Examiners weighted the Glasgow and Helena AAs equally. By number, the bank originated 56.6% of its loans in the Glasgow AA; by dollar volume, the bank originated 53.3% of its loans in the Helena AA.

Of the five core performance criteria, examiners placed the greatest weight on the dispersion of loans throughout the AAs and the lending penetration among individuals of different income levels and farms of different sizes. Due to the low volume, examiners did not analyze RRE loans in the Glasgow AA or small farm loans in the Helena AA.

DESCRIPTION OF INSTITUTION

First Community Bank is a community bank headquartered in Glasgow, Montana. The bank's characteristics include the following:

- The bank is a wholly owned subsidiary of First Community Bancorp, Inc.
- The bank has total assets of \$306.0 million as of September 30, 2019.
- In addition to its main office in Glasgow, the bank has eight branches located in Ashland, Culbertson, Froid, Helena (two), Hinsdale, Three Forks, and Wolf Point, Montana.¹ The bank also operates two RRE loan production offices (LPO), one each in Helena and Bozeman, Montana.
- The main office and all of the branches except the Ashland branch have ATMs. The bank has two additional ATMs in convenience stores in Glasgow and Culbertson. The ATM at the North Helena branch accepts deposits. The main office and most branches have drive-up facilities.
- Agricultural lending is the bank's primary business focus. The bank offers a variety of traditional RRE, small business, and consumer loan products to fulfill the credit needs of the communities in each AA. The bank also participates in government-sponsored loan programs. The overall composition of the loan portfolio has not changed significantly since the previous examination, although the bank has experienced significant organic loan growth: agricultural loans increased 68.0%, RRE loans increased 66.8%, and commercial loans increased 23.8%.

Loan Type	\$(000)	%
Agricultural	106,922	54.3
Commercial	50,751	25.7
Residential Real Estate	33,939 ²	17.2
Consumer	4,170	2.1
Other	1,291	0.7
Gross Loans	197,073	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its September 29, 2014, 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.

¹ The main office, Culbertson, Froid, Hinsdale, and Wolf Point branches, as well as the two stand-alone ATMs, are located in the bank's Glasgow AA. The Ashland branch is located in the Ashland AA. The Helena AA includes two branches and an LPO. One of the Helena branches is new since the previous evaluation. The Three Forks AA includes the Bozeman LPO, which is also new since the previous evaluation, and the Three Forks branch.

² The bank sells the majority of its RRE loans on the secondary market.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The CRA requires a separate analysis for the bank’s performance in each AA. The separate AA sections of this evaluation contain detailed descriptions of the bank’s lending to farms of different sizes and to borrowers of different income levels as well as the geographic distribution of the bank’s loans. Examiners analyzed the NLTD ratio and the comparison of lending inside and outside of the AAs at the bank level. Examiners discuss these two criteria below.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of the performance context (such as the bank’s capacity to lend, the availability of lending opportunities, and the demographic and economic factors present in the AAs). There are no similarly situated financial institutions operating in the bank’s AAs for comparison purposes.

The bank’s NLTD ratio is reasonable. The bank’s average NLTD ratio for the past 21 quarters is 63.0%. At the previous evaluation, the bank’s 19-quarter NLTD was 66.4%. Since then, the bank’s quarterly NLTD ratio has ranged from 47.9% to 84.1%, and it shows an increasing trend. Bank management indicated that especially in the last quarter, many farmers have had to delay harvesting due to unpredictable weather conditions.

As of September 30, 2019, the bank’s NLTD ratio was 84.1%, which is slightly above the peer group NLTD ratio of 82.9%. The bank’s peer group includes insured commercial banks that have assets between \$300 million and \$1 billion. The bank operates in a competitive environment, which includes branches of large national and regional banks.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AAs. A majority of the bank’s loans, by number and dollars, are originated inside the AAs.

Table 2 Lending Inside and Outside the AAs								
Loan Type	Inside				Outside			
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%
Residential Loans	67	69.1	13,378	67.8	30	30.9	6,342	32.2
Small Farm Loans	78	62.4	8,660	66.0	47	37.6	4,455	34.0
Total Loans	145	65.3	22,038	67.1	77	34.7	10,797	32.9

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

Geographic and Borrower Distribution of Loans

The geographic distribution performance criterion evaluates the bank's distribution of lending within its AAs by income level of census tracts. The bank's geographic distribution of loans reflects reasonable dispersion among the different tracts within the AAs.

The borrower distribution performance criterion evaluates the bank's lending to borrowers of different income levels, with emphasis placed on lending to LMI individuals, as well as to farms of different revenue sizes, with emphasis placed on lending to those with gross annual revenues of \$1 million or less. Overall, the bank's lending reflects a reasonable dispersion among individuals of different income levels and among farms of different revenue sizes.

The individual AA sections include a more detailed discussion of these criteria.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

NONMETROPOLITAN AREA (Full Review)

DESCRIPTION OF THE GLASGOW ASSESSMENT AREA

The Glasgow AA comprises Valley and Roosevelt counties (see Appendix A for an AA map).

- The AA consists of six census tracts. There is one moderate-income tract, four middle-income tracts, and one upper-income tract. (See Appendix B for additional demographic information.) In 2018, the middle-income tract in Roosevelt County was designated as distressed, and the middle-income tracts in Valley County were designated as underserved.
- A significant portion of the Glasgow AA is within the Fort Peck Reservation (Reservation). The tribal headquarters are in Poplar, Montana (Roosevelt County). The bank’s Wolf Point branch is located within the Reservation.
- According to the June 30, 2019, Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank ranks first out of five FDIC-insured financial institutions with offices in the AA, with 39.0% of deposits in the AA.
- Examiners conducted a community contact interview with representatives from an organization familiar with agricultural conditions in the region.

Table 3 Population Change			
Area	2010 Population	2015 Population	% Change
Roosevelt County	10,425	11,072	6.2
Valley County	7,369	7,577	2.8
State of 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>			

- The populations of Valley and Roosevelt counties have grown since the 2010 census. Valley County’s growth is comparable to statewide growth, while Roosevelt County’s growth somewhat exceeds the statewide rate.
- Bank management indicated that the populations of Valley and Roosevelt counties are aging, since many young people are moving to larger cities in Montana or out of state. According to contacts, the farming community is aging because of a lack of younger farmers to take over existing operations and extremely expensive start-up costs for new farmers.
- Glasgow is the Valley County seat and has a 2018 estimated population of 3,328. The population according to the 2010 census was 3,250, and there has been a 2.4% increase since then.

Table 4			
Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	% Change
Roosevelt County	\$50,146	\$51,023	1.7
Valley County	\$54,096	\$57,244	5.8
State of Montana	\$55,725	\$61,271	10.0
<i>Source: 2006-2010 U.S. Census Bureau: American Community Survey 2011-2015 U.S. Census Bureau: American Community Survey</i>			

- The median family incomes for Roosevelt and Valley counties are lower than for the state of Montana. Despite some increase, the change in median family income in the two counties is smaller than for the state as a whole.
- Based on 2018 FFIEC adjusted census data, the percentage of families living below the poverty level is 8.5% in Valley County and 20.0% in Roosevelt County. The statewide percentage is 9.9%.

Table 5				
Unemployment Rates				
Region	2015	2016	2017	2018
Roosevelt County	5.2	5.3	4.6	4.6
Valley County	3.1	3.4	3.1	3.1
State of Montana	4.2	4.1	3.9	3.7
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

- The unemployment rate has remained steady in Valley County but has declined in Roosevelt County and the state of Montana.
- Contacts indicated that the AA is heavily dependent on the agricultural economy and that the economy has deteriorated over the past few years because of poor weather conditions and low commodity prices. Further, when agricultural conditions decline, businesses tied to agriculture are also affected and the overall growth of the economy slows. Major employers include the local school district, government, a large freight rail company, the local hospital, and utility companies. Some farmers split their time working on the farm and in the Bakken oil fields near Williston, North Dakota, for additional income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts. The bank’s geographic distribution of loans reflects reasonable dispersion among the different census tracts within the Glasgow AA.

Small Farm Lending

The geographic distribution of small farm lending is reasonable. The bank originated 14.7% of its small farm loans in the moderate-income tract, which slightly exceeds the percentage of farms in this tract (13.3%). The bank extended small farm loans in all tracts of the Glasgow AA, including a number of loans in the moderate-income tract (9400.02), which is part of the Fort Peck Reservation. The bank extended numerous small farm loans in the upper-income tract where its Froid and Culbertson branches are located, the middle-income tract where its Hinsdale branch is located, and the middle-income tract in eastern Valley County.

Table 6 Geographic Distribution of Small Farm Loans Glasgow AA 2018						
	Tract Income Levels	Bank & Demographic Comparison 2018				
		Count Bank		Dollar Bank		Total Farms
		#	%	\$000s	%	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	11	14.7	1,463	17.0	13.3
	Middle	40	53.3	4,875	56.7	73.0
	Upper	24	32.0	2,257	26.3	13.7
	Unknown	0	0.0	0	0.0	0.0
	Total	75	100.0	8,594	100.0	100.0
<i>2018 FFIEC Census Data; 2011-2015 US Census Bureau: American Community Survey 2018 Dun & Bradstreet information Note: Percentages may not add to 100.0 percent due to rounding</i>						

Lending to Farms of Different Sizes

This performance criterion evaluates the bank’s lending to farms of different revenue sizes. The bank’s lending has a reasonable penetration among farms of different sizes.

Small Farm Lending

The borrower distribution of small farm lending is reasonable. The bank originated all of its small farm loans to farms with gross annual revenues of \$1 million or less. The bank’s lending is consistent with the percentage of small farms located in the AA (99.6%). The bank also originated the majority of its small farm loans (62.7%) in amounts of \$100,000 or less, which demonstrates a willingness to serve the credit needs of small farms. The contacts indicated that local financial institutions are meeting the needs of area farmers. Finally, there is competition for agricultural loans in the Glasgow AA.

Table 7
Small Farm Lending By Revenue & Loan Size
Glasgow AA 2018

Product Type		Bank & Demographic Comparison						
		Count		2018		Total Farms		
		#	%	Dollar Bank	%			
				\$000s	%	%		
Small Farm	Revenue	\$1 Million or Less	75	100.0	8,594	100.0	99.6	
		Over \$1 Million or Unknown	0	0.0	0	0.0	0.4	
		Total	75	100.0	8,594	100.0	100.0	
	Loan Size	\$100,000 or Less	47	62.7	1,856	21.6		
		\$100,001 - \$250,000	18	24.0	3,089	35.9		
		\$250,001 - \$500,000	10	13.3	3,649	42.5		
		Total	75	100.0	8,594	100.0		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	47	62.7	1,856	21.6		
		\$100,001 - \$250,000	18	24.0	3,089	35.9		
		\$250,001 - \$500,000	10	13.3	3,649	42.5		
		Total	75	100.0	8,594	100.0		

Originations & Purchases
 2018 FFIEC census data; 2011-2015 US Census Bureau: American Community Survey
 2018 Dun & Bradstreet information
 Note: Percentages may not add to 100.0 percent due to rounding

NONMETROPOLITAN AREA (Full Review)

DESCRIPTION OF THE HELENA ASSESSMENT AREA

The bank's AA consists of Lewis and Clark County (see Appendix A for an AA map).

- The AA includes one moderate-income census tract, eight middle-income tracts, and five upper-income tracts. (See Appendix B for additional demographic information.) While the delineation of the AA did not change since the previous evaluation, the income classification of several tracts changed.³ The Helena AA previously included one moderate-income, seven middle-income, and six upper-income tracts.
- According to the June 30, 2019, FDIC Deposit Market Share Report, the bank ranks 10th out of 11 FDIC-insured financial institutions with offices in the AA, with 0.8% of the deposits in the AA.
- Examiners reviewed a community contact interview with representatives from an organization familiar with economic and housing conditions in the AA.

Table 8 Population Change			
Area	2010 Population	2015 Population	% Change
Lewis and Clark County	63,395	65,357	3.1
State of 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>			

- The population of Lewis and Clark County has grown since the 2010 census. The county is growing at a slightly faster rate than the state of Montana.
- Helena is the county seat of Lewis and Clark County, as well as the state capital. In 2018, Helena had an estimated population of 32,315. Its population at the 2010 census was 28,190 and has increased by 14.6% since the census. According to the contact, along with Lewis and Clark County, Helena is experiencing population growth due to growth in state and federal, health care, and education jobs.

Table 9 Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	% Change
Lewis and Clark County	65,573	70,708	7.8
State of Montana	55,725	61,271	10.0
<i>Source: 2006-2010 U.S. Census Bureau: American Community Survey 2011-2015 U.S. Census Bureau: American Community Survey</i>			

³ Tracts 2.00 and 5.02 changed from middle income to upper income. Tracts 5.01, 10.00, and 12.02 changed from upper income to middle income.

- The median family income for Lewis and Clark County is higher than that of the state of Montana, but the percentage change in median family income is lower than for the state as a whole.
- Based on 2018 FFIEC adjusted census data, the percentage of families living below the poverty level in Lewis and Clark County is 8.3%, which is slightly below the statewide percentage of 9.9%.

Table 10 Housing Costs Change						
Area	Median Housing Value		% Change	Median Gross Rent		% Change
	2010	2015		2010	2015	
Lewis and Clark County	185,500	208,600	12.5	658	783	19.0
State of Montana	173,300	193,500	11.7	629	711	13.0

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

- The median housing value increased in Lewis and Clark County as well as in the state of Montana. The median gross rent also increased in Lewis and Clark County and in Montana as a whole.
- The contact indicated that affordable housing is a concern. The housing inventory for starter homes generally consists of small, older homes that need significant upgrades.
- The contact indicated that methamphetamine use has led to a statewide housing issue. Homes and apartments exposed to the production of methamphetamines become an environmental hazard and must go through a remediation process.

Table 11 Unemployment Rates				
Region	2015	2016	2017	2018
Lewis and Clark County	3.4	3.3	3.4	3.3
State of Montana	4.2	4.1	3.9	3.7

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- The unemployment rate has remained steady in Lewis and Clark County. The rate for the state of Montana has declined and is now closer to the county's rate.
- The economy relies on tourism and the hospitality industry as well as education, government, and health care, according to the contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts. The bank’s geographic distribution of loans reflects reasonable dispersion among the different census tracts within the Helena AA.

Home Mortgage Lending

The geographic distribution of home mortgage lending is reasonable. The bank originated 1.8% of its RRE loans in the moderate-income tract, which is slightly lower than the percentage of owner-occupied units (3.5%) that are located in the moderate-income tract.

The bank extended RRE loans in all tracts except for one middle-income tract where the LPO is located. Much of Lewis and Clark County, especially the moderate-income tract, is forested and mountainous, presenting challenges to originating RRE loans. Furthermore, much of the lending occurs in Helena according to bank management, which is a highly competitive banking area with many financial institutions.

Table 12 Geographic Distribution of Home Mortgage Loans Helena AA 2018						
	Tract Income Levels	Bank & Demographic Comparison 2018				Owner Occupied % of Units
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	1	1.8	185	1.6	3.5
	Middle	29	50.9	5,763	49.1	53.9
	Upper	27	47.4	5,790	49.3	42.7
	Unknown	0	0.0	0	0.0	0.0
	Total	57	100.0	11,738	100.0	100.0
<i>2018 FFIEC census data; 2011-2015 US Census Bureau: American Community Survey Note: Percentages may not add to 100.0 percent due to rounding</i>						

Lending to Borrowers of Different Income Levels

This performance criterion evaluates the bank’s lending to borrowers of different income levels. The bank’s lending has an excellent penetration among individuals of different income levels.

Home Mortgage Lending

The borrower distribution of home mortgage lending is excellent. The bank originated 5.3% of its RRE to low-income borrowers, which is lower than the percentage of low-income families in the AA (14.8%). However, the bank originated 24.6% of its RRE loans to moderate-income borrowers, which exceeds the percentage of moderate-income families in the AA (14.5%). Overall, the bank extended 29.8% of its RRE to LMI borrowers, which is generally consistent with the percentage (29.3%) of LMI families in the AA.

Using the assumption that a borrower can obtain a loan for approximately three times the borrower’s annual income, based on the 2018 FFIEC estimated median family income of \$66,700 for the nonmetropolitan areas of Montana, an individual with the highest income in the low-income bracket (\$33,349) could afford a \$100,047 home. Using the same assumption for borrowers with the highest income in the moderate-income bracket (\$53,359), a borrower could afford a \$160,077 home. As mentioned, the median housing value in the county is \$208,600. Further, the contacts noted that the average sale price for a starter home in Helena is approximately \$200,000. This data suggests that homeownership would not be affordable for many low- and moderate-income borrowers. In addition, contacts indicated that there is a shortage of affordable single-family homes in the area. The bank’s level of lending to moderate-income borrowers is noteworthy, given the performance context.

Finally, the bank continues to participate in a number of loans on behalf of a government housing organization, which shows the bank’s commitment to supporting affordable housing efforts in the Helena AA.

Table 13 Borrower Distribution of Home Mortgage Loans Helena AA 2018						
	Borrower Income Levels	Bank & Demographic Comparison				Families by Family Income %
		2018		2018		
		Count	Dollar	Count	Dollar	
		#	%	\$ (000s)	\$ %	
Totals	Low	3	5.3	242	2.1	14.8
	Moderate	14	24.6	2,338	19.9	14.5
	Middle	23	40.4	4,967	42.3	22.1
	Upper	17	29.8	4,191	35.7	48.6
	Unknown	0	0.0	0	0.0	0.0
	Total	57	100.0	11,738	100.0	100.0
<i>2018 FFIEC census data; 2011-2015 US Census Bureau: American Community Survey</i> <i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

NONMETROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF THE THREE FORKS ASSESSMENT AREA

The Three Forks AA encompasses all of Gallatin County (see Appendix A for an AA map). The AA consists of one low-income, two moderate-income, seven middle-income, and 12 upper-income census tracts. While the delineation of the AA did not change since the previous evaluation, the income classification of several tracts changed.⁴ The AA previously included one low-income, three moderate-income, eight middle-income, and 10 upper-income tracts. The majority of the population resides in upper-income tracts (58.2%), whereas only 11.8% of the population resides in low- or moderate-income tracts. (See Appendix B for additional demographic information.) The bank has a full-service branch in Three Forks and an LPO in Bozeman.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE THREE FORKS ASSESSMENT AREA

The bank's lending performance in the Three Forks AA is consistent with the bank's lending performance in the Glasgow and Helena AAs. The bank's activity in this AA accounts for only 3.9% of the bank's total deposits and 1.4% of lending activity. According to the June 30, 2019, FDIC Deposit Market Share report, the bank ranks 14th out of 15 financial institutions in the AA. This represents a 0.3% market share. The loan sample included a very limited number of loans originated in this AA.

⁴ Tracts 1.02, 5.03, and 16.00 changed from middle income to upper income. Tract 7.01 changed from moderate to middle income and tract 8.00 changed from upper income to middle income.

NONMETROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF THE ASHLAND ASSESSMENT AREA

The Ashland AA encompasses all of Rosebud County (see Appendix A for an AA map). The AA consists of one moderate-income, two middle-income, and one upper-income census tracts. The moderate-income tract includes part of the Northern Cheyenne Indian Reservation. The largest percentage of the population is in the middle-income tracts (41.4%), while 34.1% of the population resides in the moderate-income tract. (See Appendix B for additional demographic information.) The bank has one full-service branch in Ashland.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE ASHLAND ASSESSMENT AREA

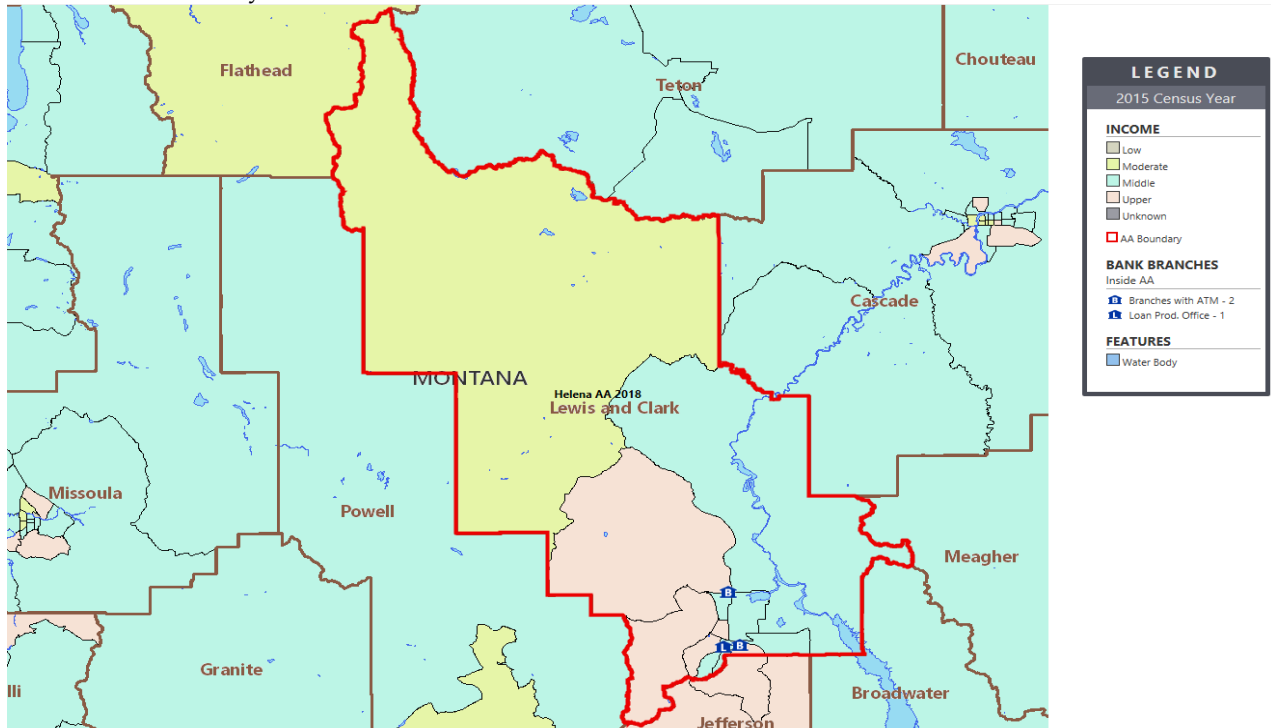
The bank's lending performance in the Ashland AA is consistent with the bank's lending performance in the Glasgow and Helena AAs. The bank's activity in this AA accounts for only 3.4% of the bank's total deposits and 2.8% of lending activity. According to the June 30, 2019, FDIC Deposit Market Share report, the bank ranks fourth out of four financial institutions in the AA. This represents a 4.9% market share. The loan sample included a very limited number of loans originated in this AA.

APPENDIX A – MAPS OF THE ASSESSMENT AREAS

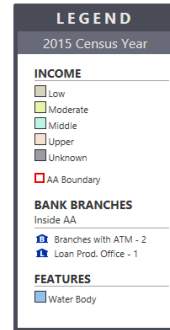
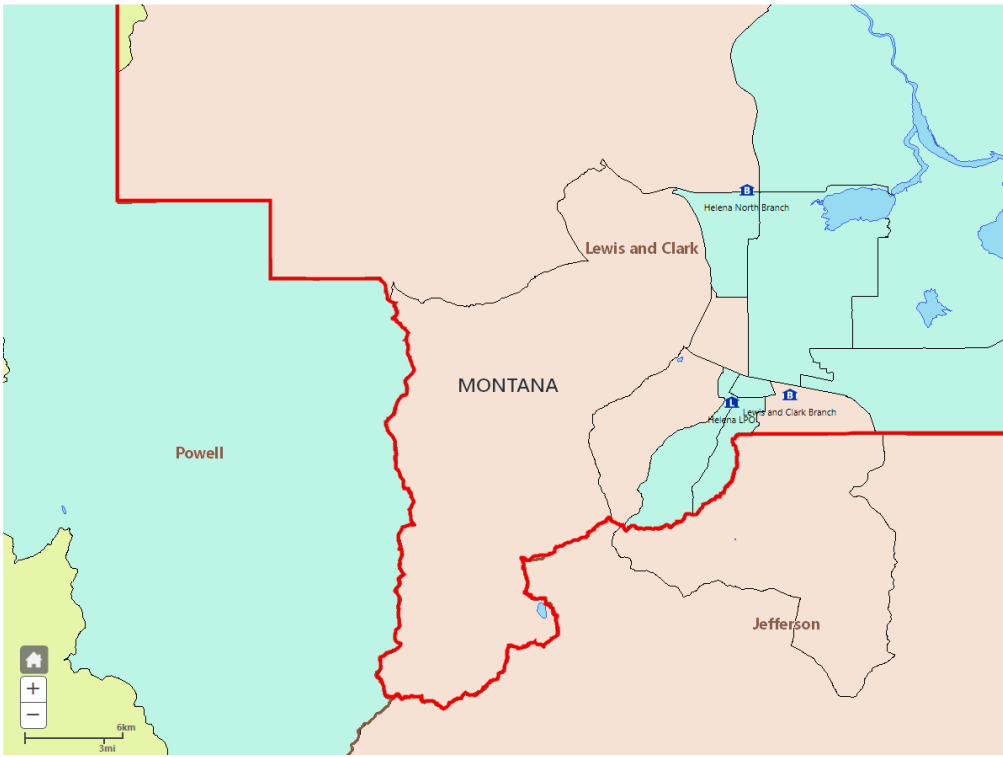
Glasgow AA



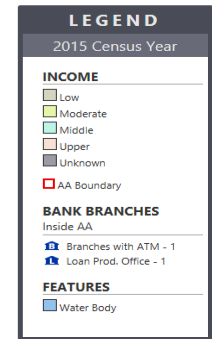
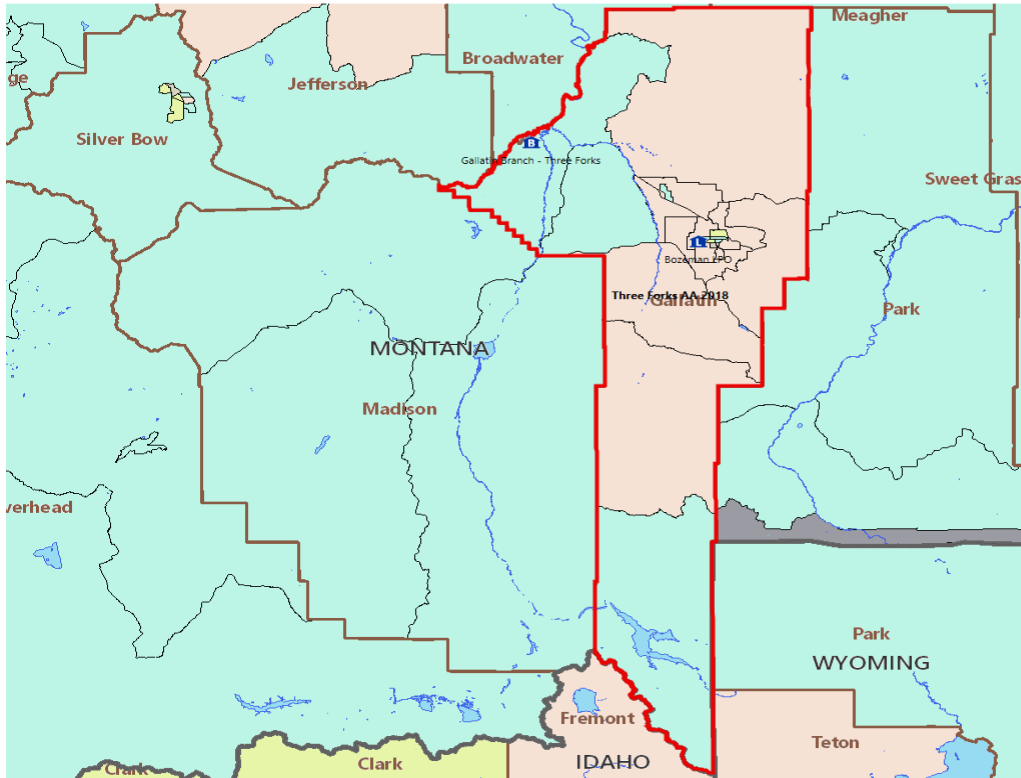
Helena AA Boundary



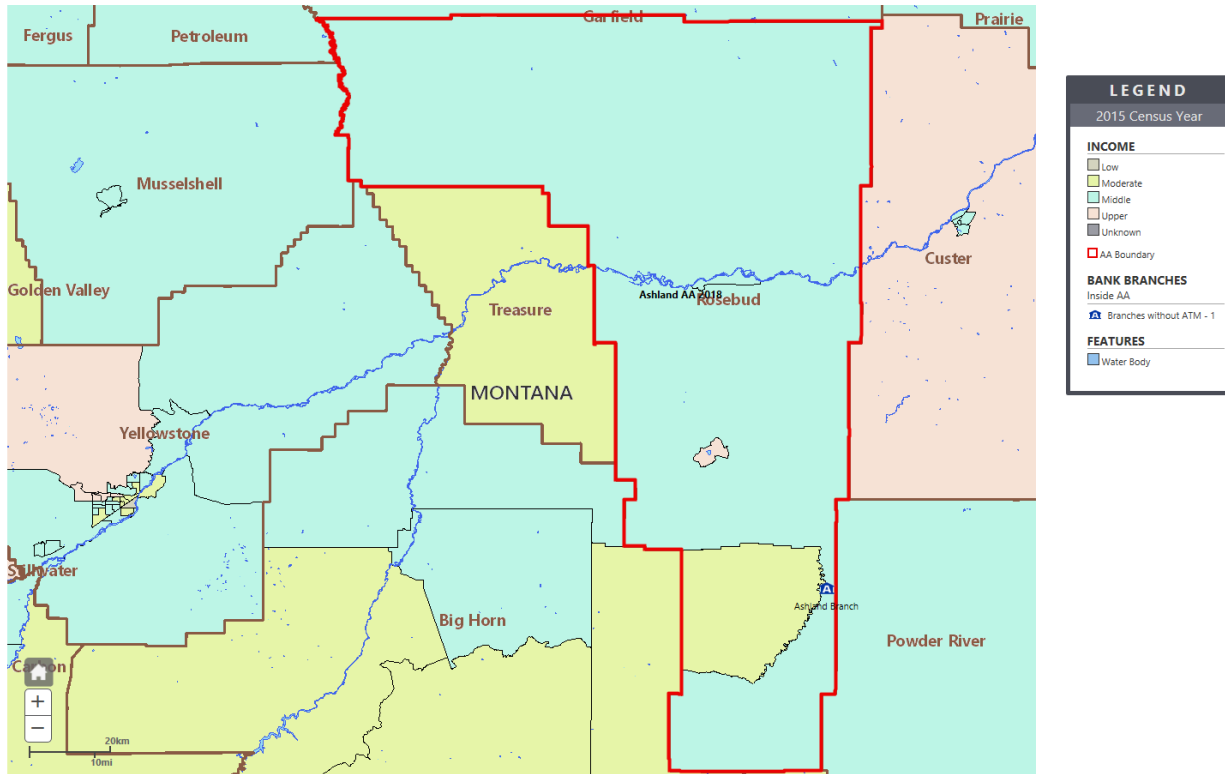
Helena Office and ATM Details



Three Forks AA



Ashland AA



APPENDIX B – DEMOGRAPHIC INFORMATION

GLASGOW 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	0.0	1,040	25.3
Moderate	1	16.7	718	17.5	211	29.4	727	17.7
Middle	4	66.7	2,981	72.6	342	11.5	897	21.8
Upper	1	16.7	407	9.9	15	3.7	1,442	35.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	6	100.0	4,106	100.0	568	13.8	4,106	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	1,566	559	13.8	35.7	623	39.8	384	24.5
Middle	6,483	3,010	74.4	46.4	1,537	23.7	1,936	29.9
Upper	861	474	11.7	55.1	155	18.0	232	26.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	8,910	4,043	100.0	45.4	2,315	26.0	2,552	28.6
	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	56	7.5	43	6.5	9	14.1	4	18.2
Middle	609	81.1	548	82.4	48	75.0	13	59.1
Upper	86	11.5	74	11.1	7	10.9	5	22.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	751	100.0	665	100.0	64	100.0	22	100.0
Percentage of Total Businesses:				88.5		8.5		2.9
	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	30	13.3	29	12.9	1	100.0	0	0.0
Middle	165	73.0	165	73.3	0	0.0	0	0.0
Upper	31	13.7	31	13.8	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	226	100.0	225	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.6		0.4		0.0
<i>Source: 2018 FFIEC Census Data 2018 Dun & Bradstreet data NOTE: Percentages may not add up to 100.0 due to rounding.</i>								

HELENA 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	2,474	14.8
Moderate	1	7.1	565	3.4	62	11.0	2,429	14.5
Middle	8	57.1	8,830	52.8	771	8.7	3,692	22.1
Upper	5	35.7	7,323	43.8	559	7.6	8,123	48.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	14	100.0	16,718	100.0	1,392	8.3	16,718	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	1,654	646	3.5	39.1	188	11.4	820	49.6
Middle	17,033	9,996	53.9	58.7	4,986	29.3	2,051	12.0
Upper	11,867	7,916	42.7	66.7	3,021	25.5	930	7.8
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	30,554	18,558	100.0	60.7	8,195	26.8	3,801	12.4
	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	87	2.0	81	2.1	4	1.3	2	1.8
Middle	2,623	61.2	2,337	60.3	195	64.8	91	82.7
Upper	1,578	36.8	1,459	37.6	102	33.9	17	15.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4,288	100.0	3,877	100.0	301	100.0	110	100.0
Percentage of Total Businesses:				90.4		7.0		2.6
	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	29	23.4	28	22.8	1	100.0	0	0.0
Middle	55	44.4	55	44.7	0	0.0	0	0.0
Upper	40	32.3	40	32.5	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	124	100.0	123	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.2		0.8		0.0
<p>Source: 2018 FFIEC Census Data 2018 Dun & Bradstreet data NOTE: Percentages may not add up to 100.0 due to rounding.</p>								

THREE FORKS AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	4.5	383	1.7	187	48.8	3,040	13.4
Moderate	2	9.1	971	4.3	146	15.0	3,586	15.8
Middle	7	31.8	6,685	29.5	371	5.5	4,523	19.9
Upper	12	54.5	14,649	64.6	717	4.9	11,539	50.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	22	100.0	22,688	100.0	1,421	6.3	22,688	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	1,241	44	0.2	3.5	962	77.5	235	18.9
Moderate	3,275	1,003	4.3	30.6	2,043	62.4	229	7.0
Middle	14,558	6,812	28.9	46.8	5,586	38.4	2,160	14.8
Upper	24,922	15,697	66.6	63.0	6,145	24.7	3,080	12.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	43,996	23,556	100.0	53.5	14,736	33.5	5,704	13.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	69	0.8	64	0.8	5	0.9	0	0.0
Moderate	790	9.4	694	9.0	92	15.9	4	5.6
Middle	2,501	29.9	2,332	30.2	137	23.7	32	44.4
Upper	5,002	59.8	4,622	59.9	344	59.5	36	50.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	8,362	100.0	7,712	100.0	578	100.0	72	100.0
Percentage of Total Businesses:				92.2		6.9		0.9
	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	3	0.9	3	0.9	0	0.0	0	0.0
Middle	148	42.3	145	42.0	3	75.0	0	0.0
Upper	199	56.9	197	57.1	1	25.0	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	350	100.0	345	100.0	4	100.0	1	100.0
Percentage of Total Farms:				98.6		1.1		0.3
<p>Source: 2018 FFIEC Census Data 2018 Dun & Bradstreet data NOTE: Percentages may not add up to 100.0 due to rounding.</p>								

ASHLAND 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	475	21.3
Moderate	1	25.0	622	27.9	234	37.6	380	17.0
Middle	2	50.0	1,015	45.5	46	4.5	367	16.5
Upper	1	25.0	593	26.6	42	7.1	1,008	45.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4	100.0	2,230	100.0	322	14.4	2,230	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	1,084	396	17.5	36.5	454	41.9	234	21.6
Middle	2,136	1,154	51.1	54.0	508	23.8	474	22.2
Upper	885	707	31.3	79.9	76	8.6	102	11.5
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	4,105	2,257	100.0	55.0	1,038	25.3	810	19.7
	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	39	14.8	33	14.0	5	23.8	1	14.3
Middle	152	57.8	132	56.2	15	71.4	5	71.4
Upper	72	27.4	70	29.8	1	4.8	1	14.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	263	100.0	235	100.0	21	100.0	7	100.0
Percentage of Total Businesses:				89.4		8.0		2.7
	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	1	1.5	1	1.5	0	0.0	0	0.0
Middle	64	98.5	64	98.5	0	0.0	0	0.0
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	65	100.0	65	100.0	0	0.0	0	0.0
Percentage of Total Farms:				100.0		0.0		0.0
<i>Source: 2018 FFIEC Census Data 2018 Dun & Bradstreet data NOTE: Percentages may not add up to 100.0 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, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include 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. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an 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.

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 instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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.