

PUBLIC DISCLOSURE

January 27, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers State Bank
103 Main Street
Victor, Montana 59875
RSSD 475354

**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.

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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: Satisfactory

The Community Reinvestment Act (CRA) performance of Farmers State Bank, Victor, Montana, demonstrates reasonable responsiveness to the credit needs of its assessment areas (AAs) and adequate responsiveness to community development needs. This CRA evaluation uses the Intermediate Small Bank CRA Examination Procedures, which include a Lending Test and a Community Development Test.

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

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

The bank's Community Development Test rating is Satisfactory based on the following criteria:

- The bank's level and nature of qualified community development loans, investments (including donations), and services is adequate. The bank's performance demonstrates adequate responsiveness to community development needs in its AAs.

At the previous evaluation dated May 10, 2021, the bank received a Satisfactory rating.

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 bank's AAs, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance.

The bank has designated four AAs for CRA purposes, all in western Montana. The Ravalli AA includes Ravalli County; the bank's main office and four branches are in this AA. The Missoula Metropolitan Statistical Area (MSA) AA includes Missoula County, which is part of the Missoula, MT MSA; three branches are in this AA. The Lewis and Clark MSA AA includes a portion of Lewis and Clark County; one branch is located in this AA. This AA was a nonmetropolitan AA until 2024. The Flathead AA includes a portion of Flathead County; one branch is located in this AA.

Examiners conducted a full-scope review of the Ravalli AA. Examiners conducted limited-scope reviews of the Missoula MSA AA, the Lewis and Clark MSA AA, and the Flathead AA.

Based on June 30, 2024, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Reports for each AA and the lending origination data provided by the bank, the majority of the bank's activities take place in the Ravalli AA. The deposits in the Ravalli AA represent 84.6% of the bank's total deposits. The loans in the Ravalli AA account for 68.9% of the bank's lending activity.

Examiners weighted the bank's performance as follows:

- 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.
- For the Lending Test, the conclusions primarily reflect the bank's performance in the full-scope AA.
- For the Lending Test performance criteria, examiners placed the greatest and equal weight on the bank's lending to businesses of different sizes and to borrowers of different income levels, and the geographic distribution of loans. Examiners placed equal weight on the remaining criteria.
- By product type, examiners placed the greatest weight on the bank's small business and consumer loans, followed by HMDA loans based on number and dollar volume of originations.

Throughout this evaluation, examiners relied on demographic characteristics in evaluating the bank's record of lending in the AAs. Sources for demographic information are primarily the 2022, 2023, and 2024 Federal Financial Institutions Examination Council (FFIEC) adjusted census data, and 2023 and 2024 Dun & Bradstreet data. AA demographics are useful in analyzing the bank's lending as 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 to evaluate the bank's small business 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, including community development opportunities, in the bank's full-scope AA. The full-scope AA section of this evaluation includes specific information obtained from these community contacts. The contacts did not identify any unmet credit needs in the AA.

Lending Test Scope

The scope of the Lending Test covers the bank's major product lines, consisting of commercial, consumer, and residential real estate loans. The table below shows the composition of the bank's loan portfolio as of December 31, 2024.

Composition of Loan Portfolio as of December 31, 2024		
Loan Type	\$(000)	%
Residential Real Estate	122,252	26.1
Commercial	274,280	58.6
Agricultural	23,186	5.0
Consumer	34,624	7.4
Other	13,480	2.9
Total	467,822	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The Lending Test is based, in part, on a statistical sample of the bank's small business and consumer loans. The loan sample includes 126 small business loans and 165 consumer loans originated between November 1, 2023, and October 31, 2024. Because the bank has offices in MSAs and is therefore required to report HMDA loans, examiners also analyzed the bank's 2022 and 2023 HMDA-reportable loans. Additionally, examiners compared the bank's HMDA lending performance to that of aggregate lenders that originated or purchased HMDA loans in the bank's AAs in 2022 and 2023.

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

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

Community Development Test Scope

Examiners reviewed the bank's community development loans, qualified investments (including donations), and community development services for the bank's AAs and any broader regional, statewide, or multistate areas that include the bank's AAs. Examiners based the Community Development Test rating on the bank's performance from May 10, 2021, through January 26, 2025.

DESCRIPTION OF INSTITUTION

Structure. Farmers State Bank is wholly owned by Farmers State Financial Corp. Both are headquartered in Victor, Montana.

Offices and Retail Delivery Systems. Farmers State Bank operates its main office in Victor, as well as nine full-service branches throughout western Montana in Darby, Florence, Stevensville, Hamilton, Helena, Lolo, Kalispell, and Missoula (2). In 2023, the bank closed its loan production office in Missoula and opened its second full-service Missoula branch. All branches offer lobby and drive-up services. The bank operates a cash-dispensing-only ATM at each branch, with the exception of the Helena branch, which has two ATMs. Finally, the bank offers products and services through telephone, online, and mobile banking.

Loan Portfolio. According to the December 31, 2024, Report of Condition, the bank's assets total approximately \$725.7 million. Overall, this represents a 25.6% increase since the previous evaluation. The bank's \$467.8 million loan portfolio, shown previously in the Composition of Loan Portfolio as of December 31, 2024, table, increased by 37.3% since the previous evaluation. The overall composition of the loan portfolio has changed slightly since the previous evaluation. Commercial loans as a percentage of the loan portfolio decreased somewhat, while the remaining loan products as percentages of the loan portfolio increased slightly.

Credit Products. Farmers State Bank is primarily a commercial, residential real estate, and consumer lender. The bank offers traditional products to serve the needs of businesses and consumers throughout its AAs. The bank offers a variety of residential real estate loans, including conventional, home improvement, construction, home equity, and land loans. The bank continues to participate in loan programs through the U.S. Small Business Administration and the U.S. Department of Veterans Affairs. The bank also offers consumer loans, including a holiday consumer loan product.

DESCRIPTION OF ASSESSMENT AREAS

As mentioned, the bank designates four AAs: Ravalli, Missoula MSA, Lewis and Clark MSA, and Flathead. The bank has not changed the delineation of these AAs since the previous evaluation; however, during the evaluation period, the number of census tracts in the AAs and income classifications of some census tracts changed based on FFIEC adjusted census data. Also, the bank's Lewis and Clark MSA AA was impacted by recent Office of Management and Budget MSA changes. Specifically, Lewis and Clark

County, formerly a nonmetropolitan county, was added as one of two counties to the newly formed Helena, MT MSA; this change is effective for the 2024 evaluation year. The bank has not added any new AAs since the previous evaluation. As of 2024, the bank's combined AAs consist of eight moderate-, 53 middle-, and 18 upper-income tracts, as well as one unknown-income tract. None of the middle-income census tracts in the bank's nonmetropolitan AAs are classified as distressed or underserved. The full-scope AA section includes a more detailed description of the Ravalli AA.

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 a Satisfactory rating for the Community Development Test.

LENDING TEST

The bank's Lending Test is rated Satisfactory. The following factors support this rating:

- Overall, lending to businesses of different sizes and to borrowers of different income levels is reasonable.
- Overall, 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 majority of loans within its AAs.

The full-scope AA section of this evaluation includes detailed discussions of the bank's lending to businesses of different sizes and to borrowers of different income levels, as well as the geographic distribution of the bank's loans. The limited-scope review of the bank's remaining AAs is discussed in a separate section of this evaluation. Examiners also analyzed the bank's net loan-to-deposit ratio and its 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 bank's AAs. As of December 31, 2024, the bank's net loan-to-deposit ratio is 73.4%, which is below the national peer group's average net loan-to-deposit ratio of 78.4%. The bank's national peer group includes all insured commercial banks with assets between \$300 million and \$1 billion. The table below shows the asset sizes and 15-quarter average net loan-to-deposit ratio for Farmers State Bank and similarly-situated financial institutions operating in the bank's AAs.

15-Quarter Average Net Loan-to-Deposit Ratios		
<i>Bank Name and Location</i>	<i>Assets as of December 31, 2024 (in millions)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Farmers State Bank, Victor, MT	\$725.7	68.5%
First Montana Bank, Missoula, MT	\$565.7	71.7%
American Bank, Bozeman, MT	\$653.4	64.1%

The bank's 15-quarter average net loan-to-deposit ratio of 68.5% is generally comparable to the similarly-situated financial institutions and to the bank's 18-quarter average net loan-to-deposit ratio of 68.6% at the previous evaluation. In the past 15 quarters, the bank's net loan-to-deposit ratio ranged from 59.0% to 76.8%. Bank management noted that the bank's net loan-to-deposit ratio varies based on economic conditions (including seasonal fluctuations), loan demand, and deposit levels.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The bank originated a majority of its loans, 85.9% by number and 85.7% by dollar, within its AAs. The table below shows the bank's lending activity by loan type within the AAs.

Lending Inside and Outside the Assessment Areas								
Loan Type	Inside				Outside			
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%
Total Consumer-related	149	90.3	1,554	85.0	16	9.7	274	15.0
Home Purchase - Conventional	150	87.7	58,045	89.1	21	12.3	7,128	10.9
Home Purchase - VA	2	100.0	1,025	100.0	0	0.0	0	0.0
Home Improvement	13	81.3	2,658	88.3	3	18.8	351	11.7
Multi-Family Housing	9	75.0	20,186	91.7	3	25.0	1,819	8.3
Other Purpose Closed-End	20	90.9	2,237	89.4	2	9.1	266	10.6
Refinancing	61	88.4	16,731	83.9	8	11.6	3,204	16.1
Total HMDA-related	255	87.3	100,882	88.8	37	12.7	12,768	11.2
Total Small Business-related	97	77.0	12,554	66.9	29	23.0	6,223	33.1
Total Loans	501	85.9	114,990	85.7	82	14.1	19,265	14.3
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

The bank's loan data shows that the bank originated a majority of its small business, HMDA, and consumer loans, by number and dollar amount, inside the AAs. Bank management stated that staff generally focuses on lending to customers in its AAs; however, they do receive some loan requests from outside the AAs, especially from nearby areas.

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

Overall, the bank's lending to businesses of different sizes and to borrowers of different income levels is reasonable. The bank actively lends to businesses with gross annual revenues of \$1 million or less and to low- and moderate-income individuals. The full-scope AA section for the Ravalli AA provides a more detailed discussion of the borrower distribution of loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects a reasonable dispersion throughout the bank's AAs, including low- and moderate-income tracts, as applicable. Lending patterns do not reveal any unexplained gaps in lending. The full-scope AA section for the Ravalli AA includes a more 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 have received any CRA-related complaints concerning the bank since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test rating is Satisfactory. Overall, the bank's community development activities demonstrate adequate responsiveness to the needs of its AAs.

Community Development Loans. The level of community development lending is generally adequate, though very limited. During the evaluation period, the bank originated two qualified community development loans totaling approximately \$1.7 million. One loan supported community services for low- and moderate-income individuals in the Ravalli AA, and the other loan supported affordable housing in the Flathead AA. The bank did not originate or purchase community development loans in its Missoula MSA AA or its Lewis and Clark MSA AA. The bank's level of community development lending was significantly lower than the level of lending during the previous evaluation period.

Qualified Investments. The bank's qualified investments, including donations, are adequate. The bank did not purchase any new non-donation investments in its AAs during the evaluation period. The bank continued to hold six prior-period investments totaling approximately \$1.7 million. These investments helped fund construction of and improvements to local school district facilities in the bank's Ravalli AA and Flathead AA. One of these investments, in the amount of \$205,000, matured during the evaluation period.

The bank made an excellent level of donations during the evaluation period. The bank made \$103,934 in qualified donations that directly benefited its AAs, as well as \$29,400 in donations that benefited broader regional, statewide, or multistate areas that include its AAs. The bank made donations in all of its AAs; approximately 59.7% of the bank's donations were in the Ravalli AA. The bank made most of its donations, \$107,217, to organizations that provide community services to low- and moderate-income individuals. In addition, the bank made \$24,617 in donations to organizations that focus on revitalization and stabilization of moderate-income census tracts. Lastly, the bank made \$1,500 in donations that support economic development. The bank also participated in a grant fund matching program to significantly amplify the impact of three donations. Through this program, the Federal Home Loan Bank of Des Moines provided three dollars in matching grant funds for every qualified one dollar in grant funds; this fund matching was applied to \$25,000 of the bank's donations.

Community Development Services. The bank's level of community development services is adequate. During the evaluation period, bank employees provided 18 community development services in the AAs or in a broader regional area that include the bank's AAs. Five employees provided financial expertise as board or committee members for four organizations. Most of the community development services supported organizations that provide community services to low- and moderate-income individuals. The bank's community development services were primarily in the Ravalli AA, with some services also in the Lewis and Clark MSA AA and a broader regional area that includes the bank's AAs. The bank did not provide community development services in the Missoula MSA AA or the Flathead 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, 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.

NONMETROPOLITAN AREA – FULL REVIEW**DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE RAVALLI ASSESSMENT AREA**

Bank Information. In the Ravalli AA, the bank operates its main office in Victor and four full-service branches: one each in Darby, Hamilton, Stevensville, and Florence. Each branch has a lobby, drive-up facility, and an ATM. Hamilton, Stevensville, and Florence offer drive-up services on Saturdays. The bank did not open or close any offices or ATMs in this AA during the evaluation period.

According to the June 30, 2024, FDIC Deposit Market Share Report, the bank has \$512.6 million in deposits in Ravalli County, representing a market share of 41.3%. The bank ranks first out of seven FDIC-insured institutions with offices in the county. The deposits in this AA represent 84.6% of the bank’s total deposits. The bank operates in a competitive AA.

Assessment Area. The Ravalli AA consists of Ravalli County. The bank has not changed this AA since the previous evaluation; however, the income classification and delineation of some tracts have changed. In 2021, the AA had a total of 10 census tracts: four moderate income, five middle income, and one upper income. In 2022 and 2023, the AA had a total of 13 census tracts: four moderate income and nine middle income. For 2024, the AA also consisted of 13 census tracts: two moderate income, 10 middle income, and one upper income. There were no low-income census tracts or tracts designated as distressed or underserved in the AA during the evaluation period.

The table below shows the demographic data for the AA based on 2024 FFIEC adjusted census data and 2024 Dun & Bradstreet data.

2024 Ravalli 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	2,233	17.9
Moderate	2	15.4	1,916	15.4	145	7.6	2,278	18.3
Middle	10	76.9	10,035	80.6	658	6.6	3,079	24.7
Upper	1	7.7	501	4.0	76	15.2	4,862	39.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	13	100.0	12,452	100.0	879	7.1	12,452	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	3,698	2,027	14.7	54.8	1,435	38.8	236	6.4

2024 Ravalli AA Demographics								
Middle	15,451	11,221	81.3	72.6	2,493	16.1	1,737	11.2
Upper	686	552	4.0	80.5	95	13.8	39	5.7
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	19,835	13,800	100.0	69.6	4,023	20.3	2,012	10.1
	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	335	15.0	314	15.0	15	14.4	6	26.1
Middle	1,809	81.2	1,705	81.2	87	83.7	17	73.9
Upper	83	3.7	81	3.9	2	1.9	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,227	100.0	2,100	100.0	104	100.0	23	100.0
Percentage of Total Businesses:				94.3		4.7		1.0
	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	21	10.1	19	9.4	2	50.0	0	0.0
Middle	179	86.5	177	87.2	2	50.0	0	0.0
Upper	7	3.4	7	3.4	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	207	100.0	203	100.0	4	100.0	0	0.0
Percentage of Total Farms:				98.1		1.9		0.0
Source: 2024 FFIEC Census Data 2024 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC's estimated median family income for the nonmetropolitan areas of Montana for the year of loan origination. The table below shows the estimated income and ranges of incomes for low-, moderate-, middle-, and upper-income borrowers for the years 2021 through 2024.

Borrower Income Levels Nonmetropolitan Areas of Montana									
FFIEC Estimated Median Family Income		Low		Moderate		Middle		Upper	
		0	- 49.99%	50%	- 79.99%	80%	- 119.99%	120%	- & above
2021	\$68,800	0	- \$34,399	\$34,400	- \$55,039	\$55,040	- \$82,559	\$82,560	- & above
2022	\$81,600	0	- \$40,799	\$40,800	- \$65,279	\$65,280	- \$97,919	\$97,920	- & above
2023	\$85,100	0	- \$42,549	\$42,550	- \$68,079	\$68,080	- \$102,119	\$102,120	- & above
2024	\$80,300	0	- \$40,149	\$40,150	- \$64,239	\$64,240	- \$96,359	\$96,360	- & above

For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income for the nonmetropolitan areas of Montana, which was \$59,777 in 2021, \$70,967 in 2022 and 2023, and \$64,515 in 2024.

The table below shows the median family income for Ravalli County, the nonmetropolitan areas of Montana, and the state of Montana based on census data. The median family income for Ravalli County increased from \$59,599 in 2015 to \$64,507 in 2020. The 2020 median family income for Ravalli County is somewhat lower than the median family income for the nonmetropolitan areas of Montana and for the state of Montana.

Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Ravalli County	\$59,599	\$64,507	8.2%
NonMSA Montana	\$65,311	\$70,967	8.7%
Montana	\$66,943	\$72,773	8.7%
<i>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.</i>			

Population Characteristics. The population in the Ravalli AA is 44,174, according to 2020 census data. The largest city in Ravalli County is Hamilton, with a population of 4,659, according to 2020 census data. According to that same data, Victor has a population of 789. Management and community contacts noted an increase in people moving to the area since the COVID-19 pandemic. The table below shows the population change for Ravalli County, the nonmetropolitan areas of Montana, and the state of Montana. The population growth in Ravalli County is comparable to the growth in the nonmetropolitan areas of Montana and slightly more than the growth in the state of Montana.

Population Change			
Area	2015 Population	2020 Population	Percent Change
Ravalli County	40,823	44,174	8.2%
NonMSA Montana	647,395	697,722	7.8%
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>			

Economy. According to a community contact, the local economy is diverse. Major industries in the AA include healthcare, construction, local government, and tourism. Notable employers include a large pharmaceutical company and a National Institute of Health Research laboratory. No significant changes in key employers or industries occurred during the evaluation period. Bank management noted that unemployment is low. Generally, jobs are available, and some businesses have a hard time finding workers. Wages have generally been increasing but have not kept pace with the increased cost of living, especially housing costs, in the area. Community contacts noted that the rise in remote work has had an impact on the local economy, with higher-income earners moving to the area, which has contributed to the overall rise in the price of housing. In addition, with people moving into the area, younger people have also become a more notable part of the area's demographics; local schools have had to add classroom space to accommodate the increasing number of students.

The unemployment rate in the Ravalli AA has stabilized since an increase during the COVID-19 pandemic. The table below shows the unemployment rates for Ravalli County, the nonmetropolitan areas of Montana, and the state of Montana from 2021 to 2023. The Ravalli County unemployment rate was comparable to the unemployment rates for the nonmetropolitan areas of Montana and the state of Montana for all three years.

Average Annual Unemployment Rates			
Area	2021	2022	2023
Ravalli County	3.6%	2.9%	3.1%
NonMSA Montana	3.5%	2.8%	3.0%
Montana	3.4%	2.7%	2.9%
<i>Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics</i>			

Housing. During the evaluation period, housing prices in Ravalli County continued to increase. In addition, the housing supply, including affordable housing, has not kept pace with demand and has been impacted by an increased amount of people moving to the area in recent years. While local wages have increased over recent years, many wages are insufficient for individuals to purchase a home in the area. Additionally, competition for homes from cash buyers, and at times buyers who purchase homes sight unseen, also impacts the availability and prices of homes. According to bank management and a community contact, the average price of a house in the area is between \$550,000 and \$700,000. Affordable homes, if for sale, can require significant maintenance. A community contact also noted that the price of bare land has increased significantly. Rental housing is also in short supply, and rental prices have increased. Given Ravalli County's location in the Bitterroot Valley, comprised of large areas of mountains and national forest land, geographic barriers limit the availability of land for construction. Additionally, construction companies have had challenges hiring workers, which results in increased construction time and increased costs.

The table below shows the housing cost burden faced by renters and homeowners in Ravalli County, as well as the nonmetropolitan areas of Montana, and statewide Montana. The U.S. Department of Housing and Urban Development (HUD) defines cost burdened families as those who pay more than 30.0% of their income for housing and may have difficulty affording necessities such as food, clothing, transportation, and medical care due to their housing costs. The housing cost burden among low- and moderate-income individuals in Ravalli County is significant, more so for low-income individuals, and exceeds 30.0% of their income. The cost burden for low- and moderate-income individuals in Ravalli County is slightly higher (except for low-income renters, which is slightly lower) than the cost burden for low- and moderate-income individuals in nonmetropolitan areas of Montana and in statewide Montana.

Ravalli AA Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Ravalli County	64.9%	33.1%	38.2%	61.9%	37.4%	22.9%
NonMSA Montana	67.4%	27.5%	35.5%	53.8%	31.8%	20.7%
Montana	72.0%	32.1%	38.3%	55.9%	32.4%	20.1%
<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), 2017-2021 Comprehensive Housing Affordability Strategy</i>						

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE RAVALLI ASSESSMENT AREA

The bank's Lending Test performance in the Ravalli AA is reasonable. The bank's Community Development Test performance in this AA demonstrates adequate responsiveness to community development needs.

LENDING TEST

Overall, the bank's lending to businesses of different sizes and to borrowers of different income levels is reasonable. In addition, the overall geographic distribution of loans reflects a reasonable dispersion throughout the AA. The bank meets the credit needs of businesses and individuals in the AA.

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

Overall, the bank's distribution of loans reflects reasonable dispersion among businesses of different sizes and borrowers of different income levels.

Small Business Lending. The bank's lending to small businesses in the Ravalli AA is reasonable. The table below shows the bank's distribution of small business loans by business revenue and loan size.

Distribution of 2023 and 2024 Small Business Lending by Revenue Size of Businesses					
Ravalli AA					
	#	#%	\$(000)	%	Total Businesses % ¹
By Revenue					
Total \$1 Million or Less	59	95.2	5,853	82.5	94.3
Over \$1 Million	3	4.8	1,239	17.5	4.7
Not Known	0	0.0	0	0.0	1.0
Total	62	100.0	7,092	100.0	100.0
By Loan Size					
\$100,000 or Less	46	74.2	2,057	29.0	
\$100,001–\$250,000	10	16.1	1,446	20.4	
\$250,001–\$1 Million	6	9.7	3,589	50.6	
Over \$1 Million	0	0.0	0	0.0	
Total	62	100	7,092	100	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or Less	45	76.3	1,957	33.4	
\$100,001–\$250,000	9	15.3	1,246	21.3	
\$250,001–\$1 Million	5	8.5	2,650	45.3	
Over \$1 Million	0	0.0	0	0.0	
Total	59	100	5,853	100	
Source: 2024 FFIEC Census Data 2024 D&B Data 2016–2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

The bank's lending to small businesses is comparable to demographics, which indicate that 94.3% of businesses in the AA are small businesses. The bank originated 76.3% of its loans to small businesses in amounts of \$100,000 or less, indicating a willingness to meet the credit needs of small businesses throughout the AA. As noted, the bank operates in a competitive AA. Competition from various types of creditors, including larger financial institutions, is present in the AA.

Residential Real Estate Lending. The bank's HMDA lending to low- and moderate-income borrowers is reasonable. The tables below show the bank's 2022 and 2023 HMDA lending by borrower income level and product type. The tables also include aggregate lending data for each year and demographic data.

¹ The demographics (total businesses in the AA) changed insignificantly from 2023 to 2024. Therefore, examiners compared the bank's lending to 2024 demographics.

Distribution of 2022 and 2023 Home Mortgage Lending By Borrower Income Level Ravalli AA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Home Purchase Loans													
Low	1	2.2	1.4	102	0.6	0.6	0	0.0	1.6	0	0.0	0.5	19.9
Moderate	3	6.5	11.1	407	2.3	6.2	8	15.1	7.4	1,759	8.2	3.5	22.0
Middle	8	17.4	22.2	2,558	14.4	19.3	17	32.1	21.8	4,180	19.6	16.6	23.3
Upper	32	69.6	54.9	13,661	76.6	63.1	27	50.9	51.1	14,766	69.1	59.4	34.8
Unknown	2	4.3	10.4	1,097	6.2	10.8	1	1.9	18.0	669	3.1	20.0	0.0
Total	46	100.0	100.0	17,825	100.0	100.0	53	100.0	100.0	21,374	100.0	100.0	100.0
Refinance Loans													
Low	3	8.8	11.5	302	3.2	7.4	1	25.0	7.9	171	21.8	3.9	19.9
Moderate	6	17.6	21.5	1,080	11.3	15.5	1	25.0	13.7	240	30.7	9.6	22.0
Middle	10	29.4	22.5	2,578	27.0	20.8	2	50.0	27.4	372	47.5	21.7	23.3
Upper	13	38.2	32.0	4,775	50.1	37.1	0	0.0	34.2	0	0.0	44.5	34.8
Unknown	2	5.9	12.5	799	8.4	19.2	0	0.0	16.8	0	0.0	20.3	0.0
Total	34	100.0	100.0	9,534	100.0	100.0	4	100.0	100.0	783	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	5.3	0	0.0	1.4	0	0.0	10.4	0	0.0	7.6	19.9
Moderate	0	0.0	15.8	0	0.0	11.8	0	0.0	19.4	0	0.0	13.4	22.0
Middle	4	80.0	23.7	326	91.3	20.0	1	33.3	14.9	26	9.7	10.0	23.3
Upper	0	0.0	51.8	0	0.0	64.4	2	66.7	50.7	242	90.3	66.5	34.8
Unknown	1	20.0	3.5	31	8.7	2.4	0	0.0	4.5	0	0.0	2.6	0.0
Total	5	100.0	100.0	357	100.0	100.0	3	100.0	100.0	268	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	6	6.3	5.5	477	1.7	3.1	3	4.3	4.1	302	1.3	1.5	19.9
Moderate	11	11.6	15.6	1,772	6.2	9.6	9	13.0	11.0	1,999	8.5	5.5	22.0
Middle	26	27.4	21.9	5,800	20.1	19.6	25	36.2	22.0	5,355	22.9	17.3	23.3
Upper	46	48.4	46.1	18,539	64.4	54.0	31	44.9	46.9	15,107	64.5	56.6	34.8
Unknown	6	6.3	10.8	2,202	7.6	13.6	1	1.4	16.0	669	2.9	19.2	0.0
Total	95	100.0	100.0	28,790	100.0	100.0	69	100.0	100.0	23,432	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 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 2022 and 2023 Home Mortgage Lending By Borrower Income Level Ravalli AA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	#	#%	#%	\$(000)	%	%	
Other Purpose LOC													
Low	0	0.0	4.9	0	0.0	14.5	0	0.0	3.6	0	0.0	1.2	19.9
Moderate	0	0.0	12.2	0	0.0	2.9	0	0.0	21.4	0	0.0	16.9	22.0
Middle	0	0.0	22.0	0	0.0	22.4	0	0.0	3.6	0	0.0	3.5	23.3
Upper	0	0.0	58.5	0	0.0	58.9	0	0.0	64.3	0	0.0	67.1	34.8
Unknown	0	0.0	2.4	0	0.0	1.3	0	0.0	7.1	0	0.0	11.3	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	2	20.0	0.0	73	6.8	0.0	2	22.2	8.7	131	13.0	2.0	19.9
Moderate	2	20.0	21.2	285	26.5	10.9	0	0.0	30.4	0	0.0	21.0	22.0
Middle	4	40.0	6.1	338	31.5	2.4	5	55.6	26.1	777	77.2	21.6	23.3
Upper	1	10.0	60.6	103	9.6	71.8	2	22.2	30.4	99	9.8	54.1	34.8
Unknown	1	10.0	12.1	275	25.6	14.9	0	0.0	4.3	0	0.0	1.4	0.0
Total	10	100.0	100.0	1,074	100.0	100.0	9	100.0	100.0	1,007	100.0	100.0	100.0
Purpose Not Applicable													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	19.9
Moderate	0	0.0	12.5	0	0.0	12.1	0	0.0	0.0	0	0.0	0.0	22.0
Middle	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	23.3
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	34.8
Unknown	0	0.0	87.5	0	0.0	87.9	0	0.0	100.0	0	0.0	100.0	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: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.													

In 2022 and 2023, the bank's overall lending to low- and moderate-income borrowers for each year was below demographics. Based on FFIEC adjusted census data for those years, 19.9% of families in the AA are low income and 22.0% of families in the AA are moderate income. The bank's overall lending to low-income borrowers in 2022 and 2023 was comparable to aggregate lenders' performance. The bank's overall lending to moderate-income borrowers in 2022 was slightly below aggregate lenders' performance and in 2023 was comparable to aggregate lenders' performance. For both years, aggregate lenders' activity was also below demographics.

As previously mentioned, the housing cost burden for low- and moderate-income residents in the AA is significant. Housing prices have increased over the evaluation period and supply is limited. Homes in the AA may be difficult for borrowers to afford based on an assumption that a borrower can obtain a loan for approximately three times his or her annual income. Using the 2023 FFIEC estimated median family income, an individual with the highest income in the low-income bracket (\$42,549) could afford a \$127,647 home. Similarly, an individual with the highest income in the moderate-income bracket

(\$68,079) could afford a \$204,237 home. According to the 2020 FFIEC census data, the median housing value in the AA is \$290,358, which would likely be unaffordable for low- and moderate-income individuals in the AA. Bank management and a community contact noted that housing prices for homes on the market can be significantly higher than the median housing value, anywhere from \$550,000 to \$700,000. The limited supply and high-priced housing in the AA are significant challenges for potential low- and moderate-income borrowers.

Consumer Lending. The bank's consumer lending to borrowers of different income levels in the Ravalli AA is excellent. The table below shows the bank's 2023 and 2024 consumer lending by borrower income level for 2023 and 2024, as well as demographic data for 2024.

Distribution of 2023 and 2024 Consumer Lending By Borrower Income Level Ravalli AA									
Borrower Income Level	Bank Loans By Year								Households by Household Income %
	2023				2024				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	18	34.6	61	15.0	21	32.3	195	22.3	22.0
Moderate	15	28.8	115	28.2	20	30.8	284	32.4	14.0
Middle	13	25.0	140	34.4	7	10.8	100	11.4	19.7
Upper	4	7.7	79	19.4	15	23.1	272	31.1	44.3
Unknown	2	3.8	12	3.0	2	3.1	25	2.9	0.0
Total	52	100.0	408	100.0	65	100.0	876	100.0	100.0
Source: 2024 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

According to 2023 and 2024 FFIEC adjusted census data, 24.6% and 22.0% of the households in the AA are low income and 15.5% and 14.0% are moderate income, respectively. For both 2023 and 2024, the bank's consumer lending to low- and moderate-income borrowers exceeded demographics.

The bank continues to originate small-dollar consumer loans. The bank originated 33.3% of all consumer loans in the AA for \$3,000 or less. Of these small-dollar consumer loans, 82.1% were to low- and moderate-income borrowers. Originating small-dollar consumer loans indicates a willingness to meet the credit needs of low- and moderate-income borrowers in the AA.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution and dispersion of the bank's small business, HMDA, and consumer loans in the AA is reasonable, and there are no unexplained gaps in lending. In 2022 and 2023, the AA had four moderate-income and nine middle-income census tracts. In 2024, the AA had two moderate-income and 10 middle-income census tracts, as well as one upper-income tract. The AA did not include low-income census tracts during the evaluation period.

Small Business Lending. The geographic distribution and dispersion of small business loans in the Ravalli AA is reasonable. The table below shows the bank's 2023 and 2024 small business loans by census tract income level, as well as demographic data for 2024.

Distribution of 2023 and 2024 Small Business Lending By Income Level of Geography Ravalli AA									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2023				2024				
	#	##	\$(000)	\$%	#	##	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	3	23.1	236	15.1	6	12.2	178	3.2	15.0
Middle	10	76.9	1,331	84.9	43	87.8	5,346	96.8	81.2
Upper	0	0.0	0	0.0	0	0.0	0	0.0	3.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	13	100.0	1,567	100.0	49	100.0	5,525	100.0	100.0
Source: 2024 FFIEC Census Data 2024 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

In 2023, the bank originated 23.1% of its small business loans in moderate-income census tracts. According to demographic data, 37.3% of businesses in the AA are in moderate-income tracts. The bank's lending in the moderate-income tracts was below demographics for 2023; however, the small business loan sample is comprised of only 21.0% of loans from 2023. The bank made small business loans in two moderate-income tracts as well as three middle-income tracts in 2023. In 2024, the bank originated 12.2% of its small business loans in moderate-income census tracts, which is comparable to demographics showing 15.0% of businesses in the AA are in moderate-income tracts. In 2024, the bank made small business loans in both moderate-income census tracts, as well as all other tracts, except two that are rural and predominantly national forest land, in the AA. The overall dispersion of the bank's small business loans in the AA does not reveal any unexplained gaps in lending.

Residential Real Estate Lending. The geographic distribution and dispersion of the bank's HMDA loans in the AA is reasonable. The tables below show the bank's 2022 and 2023 HMDA loans by product type and census tract income level for 2022 and 2023, as well as aggregate lending and demographic data.

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography Ravalli AA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	#	#%	#%	\$(000)	%	%	
Home Purchase Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	11	23.9	25.9	5,164	29.0	23.8	8	15.1	25.5	2,849	13.3	22.3	26.4
Middle	35	76.1	74.1	12,661	71.0	76.2	45	84.9	74.5	18,525	86.7	77.7	73.6
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography Ravalli AA													
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	46	100.0	100.0	17,825	100.0	100.0	53	100.0	100.0	21,374	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	6	17.6	21.5	1,872	19.6	18.3	0	0.0	18.4	0	0.0	16.3	26.4
Middle	28	82.4	78.5	7,662	80.4	81.7	4	100.0	81.6	783	100.0	83.7	73.6
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	34	100.0	100.0	9,534	100.0	100.0	4	100.0	100.0	783	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	20.0	23.7	71	19.9	16.7	2	66.7	31.3	242	90.3	29.8	26.4
Middle	4	80.0	76.3	286	80.1	83.3	1	33.3	68.7	26	9.7	70.2	73.6
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	5	100.0	100.0	357	100.0	100.0	3	100.0	100.0	268	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	50.0	0	0.0	20.0	0	0.0	0.0	0	0.0	0.0	62.0
Middle	1	100.0	50.0	575	100.0	80.0	0	0.0	100.0	0	0.0	100.0	38.0
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	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	575	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	19	19.8	23.8	7,269	24.8	21.7	12	17.4	23.8	3,211	13.7	21.4	26.4
Middle	77	80.2	76.2	22,096	75.2	78.3	57	82.6	76.2	20,221	86.3	78.6	73.6
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	96	100.0	100.0	29,365	100.0	100.0	69	100.0	100.0	23,432	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.													

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography Ravalli AA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%	\$%	
Other Purpose LOC													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	14.6	0	0.0	16.9	0	0.0	21.4	0	0.0	23.8	26.4
Middle	0	0.0	85.4	0	0.0	83.1	0	0.0	78.6	0	0.0	76.2	73.6
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	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	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	10.0	27.3	162	15.1	32.1	2	22.2	17.4	120	11.9	37.9	26.4
Middle	9	90.0	72.7	912	84.9	67.9	7	77.8	82.6	887	88.1	62.1	73.6
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	10	100.0	100.0	1,074	100.0	100.0	9	100.0	100.0	1,007	100.0	100.0	100.0
Purpose Not Applicable													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	25.0	0	0.0	33.3	0	0.0	0.0	0	0.0	0.0	26.4
Middle	0	0.0	75.0	0	0.0	66.7	0	0.0	100.0	0	0.0	100.0	73.6
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	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: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.													

In 2022 and 2023, the bank's HMDA lending in the AA's moderate-income tracts was slightly below aggregate lenders' activity in those tracts and below demographics. However, the bank's lending in the moderate-income tracts is still reasonable. In 2022 and 2023, the bank made HMDA loans in all tracts in the AA, except one moderate-income tract in 2023. The tract with no loans in 2023 is comprised of a significant amount of forest land and is near several financial institutions. In addition, limited homes for purchase and high home prices are challenges in the AA.

Consumer Lending. The geographic distribution and dispersion of consumer loans in the AA is reasonable. The table below shows the bank's consumer lending by census tract income level, as well as demographic data for 2024.

Distribution of 2023 and 2024 Other Loan Data Lending By Income Level of Geography Ravalli AA									
Geographic Income Level	Bank Loans By Year								Households %
	2023				2024				
	#	№%	\$(000)	№%	#	№%	\$(000)	№%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	13	25.0	104	25.5	7	10.8	54	6.1	19.4
Middle	39	75.0	303	74.3	56	86.2	810	92.4	77.0
Upper	0	0.0	0	0.0	2	3.1	12	1.4	3.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	52	100.0	408	100.0	65	100.0	876	100.0	100.0
Source: 2024 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

According to 2023 and 2024 FFIEC adjusted census data, 24.6% and 22.0% of the households in the AA are in moderate-income tracts, respectively. For both years, the bank's consumer lending in the moderate-income tracts was below demographics. Although the bank's lending in moderate-income tracts is below demographics, it is still reasonable. In 2022 and 2023, the bank made consumer loans in all tracts in the AA, except one moderate-income tract in 2023. The tract with no loans in 2023 is comprised of a significant amount of national forest land. While the bank's branch is in this tract, other financial institutions operate in the area as well.

COMMUNITY DEVELOPMENT TEST

Overall, the bank's community development activities in the Ravalli AA demonstrate adequate responsiveness to community development needs in the AA.

Community Development Loans. The bank's community development lending in the AA is generally adequate, though very limited. During the evaluation period, the bank originated one community development loan totaling approximately \$627,626 in the AA. This loan funded construction of and permanent financing for the expansion of an organization that provides critical services to primarily low- and moderate-income individuals. This level of community development lending, by number and dollar, is significantly lower than the level of community development lending at the last evaluation.

Qualified Investments (including donations). Overall, the bank made an adequate level of qualified investments, including donations, in the AA. The bank did not make any new non-donation investments in the AA during the evaluation period, which is adequate given performance context. Bank management noted limited opportunities and competition for those opportunities. The bank continued to hold three prior-period investments totaling \$624,188 that helped fund improvements to local school district facilities.

The bank made an excellent level of donations in the Ravalli AA. During the evaluation period, the bank made 51 qualifying donations in the AA totaling \$79,584. By dollar, the bank's donations in this AA primarily supported community services to low- and moderate-income individuals, totaling \$54,667. The donations helped organizations provide critical services and resources to those in need, such as food,

emergency housing, and health services. Of these donations, \$16,000 went to an organization that operates an emergency shelter in the AA and over \$12,000 went to organizations that help provide food to LMI individuals, including children. The bank also made \$24,417 in donations that supported revitalization or stabilization of moderate-income areas; these donations helped fund essential infrastructure, recreation, and local school activities. Lastly, the bank made one \$500 donation that supported economic development in the AA.

The bank participated in a grant fund matching program that increased the impact of two donations in this AA. Through this program, the Federal Home Loan Bank of Des Moines provided three dollars in matching grant funds for every qualified one dollar in grant funds; this fund matching was applied to \$15,000 of the bank's donations in the AA. Overall, the bank's donations were very responsive to the AA needs during the evaluation period.

Community Development Services. The bank's level of community development services in the AA is adequate. Four bank employees provided a total of 14 services to two organizations during the evaluation period. The employees served in a leadership capacity. Most of the services (12) supported a foundation for a local school district that has primarily low- and moderate-income students. The two remaining services benefited a local organization that helps revitalize or stabilize a moderate-income area.

METROPOLITAN AREAS – LIMITED REVIEW

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MISSOULA MSA ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank's CRA performance in the Missoula MSA AA and determined that the bank's lending test performance in this AA is generally consistent with the performance in the full-scope AA. However, the bank's community development test performance in this AA is below its performance in the full-scope AA. This performance does not change the conclusion for the institution. Examiners evaluated consumer loans and community development activities to ascertain consistency with the full-scope AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE LEWIS AND CLARK MSA ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank's CRA performance in the Lewis and Clark MSA AA and determined that the bank's performance in this AA is generally consistent with the performance in the full-scope AA. Examiners did not review any lending activity due to low loan volume in this AA. Examiners evaluated community development activities to ascertain consistency with the full-scope AA.

NONMETROPOLITAN AREA – LIMITED REVIEW

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE FLATHEAD ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank's CRA performance in the Flathead AA and determined that the bank's performance in this AA is generally consistent with the performance in the full-scope AA. Examiners did not review any lending activity due to low loan volume in this AA. Examiners evaluated community development activities to ascertain consistency with the full-scope AA.

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 (i.e., 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.)