

PUBLIC DISCLOSURE

January 3, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Valley Bank of Helena
3030 North Montana Avenue
Helena, Montana 59601
RSSD 648055

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution’s CRA Rating 1

Scope of Examination 1

Description of Institution 2

Description of Assessment Area 4

Conclusions..... 6

Lending Test 6

Community Development Test 10

Fair Lending or Other Illegal Credit Practices Review..... 12

Appendix A..... 13

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 "Outstanding."

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of Valley Bank of Helena, Helena, Montana (Valley Bank), demonstrates excellent responsiveness to the credit and community development needs of its assessment area.

The bank's performance under the Lending Test is satisfactory based on the following criteria:

- The bank's lending to borrowers of different income levels and to businesses of different sizes in the assessment area is good.
- The bank originated a substantial majority of loans within its assessment area.
- The bank's net loan-to-deposit ratio is reasonable given the bank's size and financial condition and the credit needs of the assessment area.
- The geographic distribution of loans in the assessment area is reasonable.

The bank's performance under the Community Development Test is outstanding based on the following criteria:

- The community development activities demonstrate excellent responsiveness to community development needs.
- The bank's level of and mix of community development lending is excellent.
- The bank's increased level of qualified investments, in the form of donations, and its continued commitment to providing community development services demonstrate a high level of responsiveness to community needs.

Valley Bank was evaluated under the Intermediate Small Bank (ISB) Evaluation Procedures at the October 27, 2008, CRA examination and received an outstanding rating.

SCOPE OF EXAMINATION

The bank was evaluated using the ISB Evaluation Procedures. Under the ISB procedures, the following criteria were analyzed to determine the bank's Lending Test rating:

- Net loan-to-deposit ratio.
- Lending inside the assessment area.
- Lending to borrowers of different income levels and to businesses of different revenue sizes.
- Geographic distribution of loans.
- Record of responding to complaints about the bank's CRA performance.

Also under the ISB procedures, the bank's community development loans, qualified investments, and community development services were reviewed to determine the Community Development Test rating. The Lending Test and Community Development Test were combined to determine the bank's overall rating.

This evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources as well as economic and demographic characteristics of the assessment area, competitive factors, and the size and financial

condition of the bank were analyzed to understand the bank's performance. The evaluation covers the period from the previous CRA evaluation, dated October 27, 2008, through January 2, 2011.

The scope of the Lending Test includes the bank's major product lines, as shown in Table 1.

<i>Loan Type</i>	#	%	\$	%
Consumer	475	54.4	\$ 5,234,302	9.0
Home Equity Lines of Credit	82	9.4	5,057,065	8.7
Residential Real Estate	149	17.1	20,714,163	35.7
Small Business	161	18.4	25,369,885	43.7
Small Farm	6	0.7	1,659,646	2.9
Total	873	100.0	\$58,035,061	100.0

The bank's Lending Test performance is based on a statistical sample of the bank's consumer, residential real estate, and small business loans originated between May 1, 2010, and October 31, 2010. Specifically, the analysis on the following pages is based on 122 consumer loans, 68 residential real estate loans, and 68 small business loans.

In addition, the bank's community development lending, qualified investments, and community development services were reviewed in the bank's assessment area. The review period for community development activity was October 27, 2008, to January 2, 2011.

The bank's CRA performance is weighted as follows to derive the overall, Lending Test, and Community Development Test ratings:

- The Community Development Test receives greater weight than the Lending Test because of the bank's high level of community development activities relative to the bank's overall Lending Test performance.
- For the Community Development Test, community development lending received the greatest weight, given the significant increase in number and level of complexity in community development loans since the previous evaluation.
- For the Lending Test, lending to borrowers of different income levels and businesses of different revenue sizes received the greatest weight. The remaining criteria generally received equal weight.
- Finally, for the Lending Test, the bank's consumer, residential real estate, and commercial lending received equal weight. Consumer lending represents the largest percentage of the bank's loans by volume; residential real estate and commercial lending represent the largest percentages by dollar amount.

DESCRIPTION OF INSTITUTION

Structure. Valley Bank of Helena is a full-service financial institution with its main office in Helena, Montana. The bank is a subsidiary bank of Glacier Bancorp, Inc., Kalispell, Montana, a multibank holding company, which also owns the following banks:

- Glacier Bank, Kalispell, Montana.
- First Security Bank of Missoula, Missoula, Montana.
- 1st Bank Evanston, Evanston, Wyoming.
- Big Sky Western Bank, Bozeman, Montana.
- Western Security Bank, Billings, Montana.
- First Bank of Montana, Lewistown, Montana.
- Mountain West Bank, Coeur d'Alene, Idaho.
- Citizens Community Bank, Pocatello, Idaho.
- Bank of the San Juans, Durango, Colorado.
- First National Bank & Trust, Powell, Wyoming.

Offices and retail delivery systems. The bank operates its main office and four branches in Helena, Montana, and one branch in East Helena, Montana. The bank has not opened or closed any branches since the previous evaluation. The bank operates six cash-dispensing automated teller machines, one at each of its locations. The bank offers standard business hours at all locations. The Helena branches at 3171 North Montana Avenue and 1900 Ninth Avenue also offer drive-up facility hours on Saturday, and the Van's Thriftway branch at 306 Euclid Avenue in Helena offers walk-up hours on both Saturday and Sunday.

Valley Bank also offers 24-hour telephone banking and an Internet web site. Web site services include transfer of funds between accounts, loan payments, viewing account information, and bill payments; customers also may opt to receive electronic account statements. Finally, consumers are able to submit first lien residential real estate loan applications through the web site.

Loan portfolio. According to the December 31, 2010, Report of Condition (ROC), the bank's assets totaled \$394.3 million. The ROC data indicate that the composition of the bank's loan portfolio is 48.3% commercial loans, 43.6% residential real estate loans, 4.9% consumer loans, 0.6% agricultural loans, and 2.6% other loans. Although the composition of the loan portfolio has not changed significantly since the previous evaluation, the bank's loan portfolio decreased by 8.7%. The bank's main product lines (commercial, consumer, and residential real estate loans) decreased by 3.0%, 15.7%, and 15.4%, respectively. The decline in loans is chiefly attributed to a general decrease in consumer loan demand, including residential real estate loans, similar to national trends.

Credit products. The bank offers a wide variety of loan products to serve the credit needs of residents, businesses, and farms in its assessment area. Consumer loan products include closed-end vehicle loans and other general purpose personal loans, as well as open-end overdraft, personal, and home equity lines of credit. The bank offers purchase and refinance loans for residential real estate, mobile home loans, home improvement loans, and temporary construction loans. In addition to conventional loan programs for consumers and small businesses, Valley Bank offers loans through the following agencies: Montana Board of Housing, Department of Veterans Affairs, Federal Housing Administration, U.S. Department of Agriculture Rural Development, and Small Business Administration (SBA).

The bank also partners with Gr8 HOPE and NeighborWorks® Montana to offer home loan programs targeted to low- and moderate-income people and first-time homebuyers. In addition, the bank partners with the Federal Home Loan Bank of Seattle for the Home\$tart savings program, in which grant monies provide matching funds for every dollar a consumer deposits and maintains in a savings account at the bank. Funds may be used by low- and moderate-income families for down payments or closing costs for home purchases or for rehabilitation of owner-occupied units.

There are no financial constraints, legal impediments, or other factors that obstruct the bank's ability to meet the credit or other community development needs in its assessment area. The evaluation did not reveal any unmet credit needs in the assessment area.

DESCRIPTION OF ASSESSMENT AREA

Assessment area. Valley Bank has designated one assessment area for CRA purposes. The assessment area is unchanged since the previous evaluation and includes portions of both Jefferson and Lewis and Clark counties. It consists of 11 census tracts in Lewis and Clark County and one census tract in Jefferson County. The assessment area contains three middle- and nine upper-income census tracts and does not contain any distressed or underserved middle-income census tracts. The bank's main office and its Helena branches are located in upper-income census tracts. The East Helena branch is located in a middle-income census tract.

According to the June 30, 2010, Federal Deposit Insurance Corporation Deposit Market Share Report, Valley Bank had total deposits of \$307.1 million, representing 26.7% of deposits in all of Jefferson and Lewis and Clark counties. The bank ranks first in deposits among 12 banks with offices in those two counties.

Table 2 provides detailed data about the demographic characteristic of Valley Bank's assessment area. Assessment area demographics are based on 2000 U.S. Census data and the 2009 small business and small farm data reported to Dun & Bradstreet.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	1,825	11.9
Moderate Income	0	0.0	0	0.0	0	0.0	2,125	13.9
Middle Income	3	25.0	4,107	26.8	350	8.5	3,283	21.4
Upper Income	9	75.0	11,200	73.2	661	5.9	8,074	52.7
Total Assessment Area	12	100.0	15,307	100.0	1,011	6.6	15,307	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle Income	7,234	4,302	26.3	59.5	1,847	25.5	1,085	15.0
Upper Income	17,838	12,025	73.7	67.4	4,827	27.1	986	5.5
Total Assessment Area	25,072	16,327	100.0	65.1	6,674	26.6	2,071	8.3

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

TABLE 2
Assessment Area Demographics

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	884	23.1	807	23.8	29	13.7	48	21.2
Upper Income	2,940	76.9	2,580	76.2	182	86.3	178	78.8
Total Assessment Area	3,824	100.0	3,387	100.0	211	100.0	226	100.0
Percentage of Total Businesses:				88.6		5.5		5.9
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	45	41.7	45	41.7	0	0.0	0	0.0
Upper Income	63	58.3	63	58.3	0	0.0	0	0.0
Total Assessment Area	108	100.0	108	100.0	0	0.0	0	0.0
Percentage of Total Farms:				100.0		0.0		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the Department of Housing and Urban Development (HUD) estimated median family income. For borrowers in the nonmetropolitan areas of Montana, the figure is \$54,200 for 2010. For purposes of classifying census tracts, this evaluation uses the nonmetropolitan Montana median family income from the 2000 census, which was \$39,050.

Population. According to the 2000 U.S. Census, the population in the bank's assessment area was 56,654. Because the bank's assessment area contains portions of two counties, it is difficult to determine the current population estimate for the entire assessment area. However, for Helena and East Helena combined, the U.S. Census Bureau estimates the 2009 population was 32,073, representing an increase of 17.0% since 2000. The 2000 census data also indicate that 6.6% of the families in the assessment area have incomes below the poverty level.

General economic and housing characteristics. According to bank management and community contacts, although the area's economy has slowed slightly in the last year, it remains generally stable, because of the large local, state, and federal government sectors. As the state capital, Helena provides stability to the area's economy and typically insulates it from more extreme economic shifts. Nonetheless, retailers and local small businesses have grown slowly. The economy's biggest strength, the stability provided by the public sector, can also be a potential weakness. For example, wages for state employees have been frozen for the last two years, which likely contributes to the lull in consumer spending. Bank management and community contacts indicated that diversifying the economy is an existing priority, and community-based entities are trying to attract tourism and industry to the area.

The main public sector employers include local, state, and federal governments. In the private sector, service-related industries dominate. The main employers in this sector include St. Peter's Hospital, Blue Cross Blue Shield of Montana, Carroll College, and several nonprofit organization that provide services to local residents and businesses. The main retail employers include Wal-Mart and Albertson's

supermarkets. Bank management and community contacts estimate the average income for an individual in the area is between \$30,000 and \$40,000. A community contact familiar with local labor conditions stated that in the private sector the average hourly wage is \$10 to \$12, which is not a comfortable living wage for single-income households. Unemployment rates for the area are below the rates for Montana and typically are well below national averages. According to the U.S. Department of Labor, the November 2010 nonseasonally adjusted unemployment rate was 5.7% for Jefferson County and 5.1% for Lewis and Clark County. The statewide and national rates for the same period were 7.1% and 9.3%, respectively.

According to bank management and community contacts, affordable housing continues to be a major issue in the assessment area. There are waiting lists for public housing and assisted living facilities. According to the Greater Helena Area Housing Task Force's December 2010 Helena Area Housing Needs Assessment (HAHNA), the median cost to own a home exceeded the household income of half of the households in the area. The affordability gap is expected to become more significant, and low- and moderate-income families have few options for purchasing homes. HAHNA also indicates that the median housing price for 2009 was \$185,900. A community contact indicated that most recent real estate listings are above \$195,000, and housing is priced too high for low- and moderate-income families to purchase. In addition, average monthly rents range from \$750 to \$1,000, which can be difficult for the average private sector employee. Overall, bank management and community contacts indicated that the residential real estate market has slowed in recent years and that affordable housing continues to be a challenge. Commercial credit demand is focused mainly on operating loans, and consumer credit demand is geared toward general living expenses and debt consolidation.

Competition among financial institutions in the Helena area can be intense. Branches of larger regional and national banks, several community banks, and numerous credit unions serve the immediate area.

Examiners contacted members of local community-based organizations familiar with the characteristics of the area to provide information on economic conditions and to identify community credit needs. Information from these contacts was used in evaluating the bank's performance in its assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank demonstrates good lending performance and excellent community development performance in its assessment area.

LENDING TEST

The Lending Test for Valley Bank shows strong responsiveness to the credit needs in the assessment area. As noted, a statistical sample of consumer, residential real estate, and small business loans was evaluated for the Lending Test.

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

Overall, the bank's performance in providing loans to borrowers of different income levels and to businesses of different sizes is good. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less. The bank's consumer lending to low- and moderate-income borrowers is excellent. The distribution of the bank's small business lending is good, and the residential real estate lending to low- and moderate-income borrowers is reasonable.

Table 3 shows the bank’s consumer and residential real estate lending to borrowers of different income levels.

<i>Loan Type</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	20	17.7	34	30.1	24	21.2	29	25.7	6	5.3
Residential Real Estate	3	5.1	4	6.8	17	28.8	34	57.6	1	1.7
Percentage of Households by Income Levels**	16.5		13.6		19.0		50.9		NA	
Percentage of Families by Income Levels**	11.9		13.9		21.5		52.8		NA	
*Median family income for nonmetropolitan areas of Montana is \$54,200 for 2010.										
**Based on 2000 census data.										

Consumer lending. The bank’s consumer lending to low- and moderate-income borrowers is excellent when compared to the percentages of families and households in the assessment area. The bank originated 17.7% and 30.1% of its consumer loans to low- and moderate-income borrowers, respectively. This level of lending considerably exceeds household demographics, which indicate that 16.5 % and 13.6% of households in the assessment area are low- and moderate-income, respectively. The bank’s lending also significantly surpasses family demographics, at 11.9% and 13.9%. In addition, according to the 2005-2009 American Community Survey 5-Year Estimates, 38.3% of households earned less than \$35,000 in 2009, far below the current moderate-income threshold.

Bank management commented that competition for consumer loans can be aggressive, particularly with the numerous credit unions that have a presence in the area as well as with a large regional financial institution that is seeking to grow its loan portfolio. Bank management also indicated that consumer spending generally slowed in the area in recent years, similar to national trends, which translated into lower consumer loan demand. The bank achieves a strong level of lending to low- and moderate-income borrowers because it offers a variety of loan types for all consumers, including small-dollar loans. The bank extended 33.3% of the sampled loans to low- and moderate-income borrowers in amounts of \$3,000 or less. The smaller dollar amount indicates a willingness to meet the credit needs of low- and moderate-income residents.

Residential real estate lending. The bank’s residential real estate lending to low- and moderate-income borrowers is reasonable, given the assessment area characteristics. The bank originated 5.1% and 6.8% of its residential real estate loans to low- and moderate-income borrowers. Although Valley Bank’s lending falls below family demographics, it is nonetheless reasonable given the following factors. As discussed, a recent housing study revealed that the average cost to own a home exceeds household incomes for more than 50% of area households, and the affordability gap is expected to worsen. Bank management and community contacts stated that affordable housing continues to be an issue in the area, and although average home prices are slowly dropping, they are still not affordable for low- and moderate-income families. To illustrate, according to www.city-data.com, the mean price of detached houses in Lewis and Clark County in 2009 was \$247,140. In order to afford a mortgage loan for \$200,000, assuming a \$10,000 down payment is achievable, the qualifying income for a loan at 6.0% is \$51,777 based on a standard monthly housing/income ratio of 36%. Currently, low-income borrowers have a maximum

income of \$27,100 using 2010 median family income, and moderate-income borrowers have a maximum income of \$43,360. Both incomes fall well below the qualifying income needed for an average priced home in the area.

Overall, the bank's consumer lending to low- and moderate-income borrowers is excellent and its residential real estate lending to low- and moderate-income borrowers is reasonable, given assessment area characteristics.

Small business lending. The bank's lending to small businesses is good. As shown in Table 4, Valley Bank extended 84.2% of its small business loans to entities with gross annual revenues of \$1 million or less. According to reports published by Dun & Bradstreet, 88.6% of the entities in the assessment area are considered small businesses. Although the bank's lending falls slightly below demographics, it is nonetheless reasonable. Bank management stated the bank is a relationship lender and maintains several long-term loan relationships with both small and larger businesses. As noted, the bank also operates in a competitive market, which includes a large regional financial institution that recently became more aggressive in building its loan portfolio. The bank extended a majority of its small business loans for amounts of \$100,000 or less, which indicates a willingness to meet the credit needs of smaller entities. Finally, according to data published by SBA, the bank ranks fifth of 53 lenders in the number of SBA loan approvals for fiscal year 2010 in the state of Montana. Given the factors discussed, the bank's small business lending is good.

	<i>≤ \$100,000</i>	<i>\$100,001 to ≤ \$250,000</i>	<i>\$250,001 to ≤ \$1,000,000</i>	<i>Total Originations</i>
Percentage of Small Business Loans	50.9%	24.6%	24.6%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 Million or Less	54.2%	27.1%	18.8%	84.2%

Overall, the bank's lending reflects good distribution of loans among individuals of different income levels and businesses of different sizes.

Comparison of Credit Extended Inside and Outside the Assessment Area

The bank's lending in the assessment area is very good. Table 5 shows the percentages of loans the bank extended inside and outside the assessment area for each category by total number and dollar amount.

<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Small Business	57	83.8	10,910	93.8	11	16.2	726	6.2
Residential Real Estate	59	86.8	8,679	85.1	9	13.2	1,521	14.9
Consumer	113	92.6	1,115	86.4	9	7.4	176	13.6

The bank originated the majority of its loans in the assessment area. The bank originated 88.8% of the loans by volume and 89.5% by dollar amount within the assessment area. The percentages vary by product type. The bank's consumer lending inside the assessment area is similar to the previous

evaluation. Bank management indicated that consumer loan demand slowed during the evaluation period and that competition for these loans is more aggressive. The bank's small business and residential real estate lending inside the assessment area is slightly lower than at the previous evaluation. Bank management stated the bank is a relationship lender and loans are often made to long-term customers who have moved outside of the area or to businesses that have long-term loan and deposit relationships with the bank.

The concentration of lending inside the assessment area is very good. The bank extended a substantial majority of small business, residential real estate, and consumer loans to entities and individuals within the assessment area. Further, community contacts did not identify any unmet credit needs.

Loan-to-Deposit Ratio Analysis

The bank's net loan-to-deposit ratio represents a reasonable level of lending. Table 6 shows the quarterly average net loan-to-deposit ratios since the previous evaluation for the bank and one other commercial bank with offices in the assessment area.

<i>Bank Name and Location</i>	<i>Assets as of December 31, 2010 (in millions)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Valley Bank of Helena, Helena, Montana	\$394.3	85.5%
First Security Bank of Helena, Helena, Montana	\$ 43.0	96.2%

The bank is an active lender in a competitive market. In addition to the bank listed in Table 6, larger regional and national banks and numerous credit unions have branches in the assessment area. At the previous evaluation, the bank's average net loan-to-deposit ratio was 88.0%. Since the previous evaluation, the bank's net loan-to-deposit ratio ranged from 105.8% to 61.8% over nine quarters, with slight decreases each quarter. According to the December 31, 2010, Uniform Bank Performance Report, the bank's net loan-to-deposit ratio is 64.5%. Bank management stated that although the area's economy is somewhat insulated from extreme highs and lows, the bank still experienced a decrease in loan demand. Consumers and businesses were more conservative in their spending during the evaluation period. In addition, in the latter part of 2010, the bank's deposits increased significantly, due mainly to local economic conditions. Finally, community contacts did not identify any unmet credit needs.

Overall, the bank's net loan-to-deposit ratio is reasonable and reflects the bank's willingness to fulfill the credit needs of the assessment area.

Geographic Distribution of Loans

The geographic distribution of the bank's loans demonstrates a reasonable dispersion throughout the assessment area and does not reveal any unexplained gaps in lending patterns. Table 7 shows the distribution of loans in the assessment area by census tract income level. As noted, there are no low- or moderate-income census tracts in the assessment area.

TABLE 7				
Geographic Distribution of Loans in the Assessment Area by Census Tract Income Level*				
<i>Loan Type Sample</i>	<i>Middle Income</i>		<i>Upper Income</i>	
	#	\$	#	\$
Small Business	21.1%	13.0%	78.9%	87.0%
Residential Real Estate	23.7%	21.7%	76.3%	78.3%
Consumer	33.6%	29.3%	66.4%	70.7%
Demographic Data				
Number of Census Tracts	3		9	
Percentage of Census Tracts	25.0		75.0	
Percentage of Families	26.8		73.2	
Percentage of Owner-Occupied Units	26.3		73.7	
Percentage of Households	26.8		73.2	
Percentage of Small Business Entities**	23.8		76.2	
*Income classification of geographies based on 2000 median family income.				
**Based on 2009 small business data reported to Dun & Bradstreet.				

For all loan types, the bank extended a majority of its loans in upper-income census tracts. According to 2000 census data, 73.2% of families and households and 76.2% of small businesses are in the upper-income census tracts.

The loan data indicates the bank extended consumer and residential real estate loans in all census tracts in its assessment area. The bank also extended small business loans in all census tracts in the assessment area except for tract 10.00 in Lewis and Clark County. This census tract extends south of Helena's capital area and is mainly residential and mountainous.

The bank lends throughout its assessment area, and the geographic distribution of its loans is reasonable.

Record of Response to CRA-Related Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank's community development activity in its assessment area continues to reflect an excellent responsiveness to community development needs. The bank actively engaged in providing community development loans, investments, and services since the previous evaluation.

Community Development Loans

The bank's community development lending in the assessment area is excellent. The bank originated a total of \$13.4 million in community development loans since the previous evaluation, more than tripling its previous level. Table 8 shows the type, number, and dollar amount of qualified community development loans originated in the assessment area.

<i>Type of Loans</i>	<i>Number of Loans</i>	<i>Dollar Amount of Loans</i>
Affordable Housing	5	\$ 5,512,374
Community Service	6	1,240,215
Economic Development	5	6,640,953
Total	16	\$13,393,542

The majority of the community development loans by dollar volume were made to organizations focused on economic development and affordable housing. The affordable housing loans financed projects related to energy efficiency upgrades for public housing units, replacement of low-income housing units, and refinanced low-income housing. The loans directly address the need for affordable housing in the assessment area. Three of the economic development loans financed a project that qualified for an SBA loan program, with specific eligibility requirements linked to job creation and retention.

Most notable is the bank's involvement in two complex loans designed to stimulate economic investment in an urban area. Specifically, the bank made loans to two Certified Development Entities that qualify for New Market Tax Credits (NMTC). NMTCs are a fairly new form of tax credits passed on to investors as an incentive to provide lower-cost capital to businesses or developers. The loans were made to finance the construction of a wellness center in a distressed area in Helena. The project will provide jobs to local residents during the construction phase, will create permanent jobs, and will provide services to area residents, including low- and moderate-income people. Because of the complexity of these loans, several key employees at the bank dedicated many hours developing and finalizing the structure of the loans.

The bank also made several loans to organizations that provide community services to low- and moderate-income people. The loans provide financing to organizations that provide meals, energy assistance, work force development and training, and other services to low- and moderate-income people in the assessment area.

The bank's community development lending is excellent based on the following factors. The bank originated a variety of community development loan types, including affordable housing, community service, and economic development. The bank's lending increased significantly since the previous evaluation. Finally, the resources dedicated to these complex loans show the bank's commitment to providing innovative community development loans.

Qualified Investments

The bank has not purchased any new qualified investments in the form of securities since the previous evaluation. The bank continues to hold one qualified investment security from the prior evaluation. The investment consists of a Low-Income Housing Tax Credit issued in conjunction with a construction project for low-income multifamily housing. The value of the investment at the time of this evaluation is \$1.4 million. Opportunities to purchase qualified investment securities have been limited during the current evaluation period. However, the bank's level of donations reflects excellent responsiveness to community needs. Since the previous evaluation, the bank made \$121,547 in qualified investments in the form of donations in the assessment area. The majority of the donations went to organizations providing essential services to low- and moderate-income people in the assessment area. The bank also continued to support entities focused on providing affordable housing and promoting economic development in the assessment area. Further, the bank made a \$30,000 donation to support expanded health care services at a facility serving a multicounty area that includes distressed and underserved census tracts. Finally, in

addition to donations made directly to organizations, the bank continued its in-kind support of local organizations by paying for radio advertisements focused on fundraising efforts. The advertising totaled \$6,340. The total amount of donations increased significantly from the \$71,173 at the previous evaluation.

Although investment opportunities may have been limited during the evaluation period, the bank was very active in making qualified donations. The bank's level of qualified investments, including donations, is excellent.

Community Development Services

The bank continues to provide a high level of community development services. Fourteen bank officers and employees contribute financial skills to organizations that provide community services to low- and moderate-income people and promote affordable housing and economic development. Two senior officers serve on the board of a local economic development organization that provides funding for small businesses, and five senior officers serve as board members for organizations that provide essential community services to low- and moderate-income people in the assessment area. Other bank personnel serve local organizations in other financial capacities. Since the previous evaluation, officers and employees provided services to seven community service organizations, one affordable housing organization, and three economic development organizations.

In addition to community development services, the bank continues to provide free checking account products for consumers, 24-hour telephone banking, and Internet banking with free bill-payment services.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation did not reveal any evidence of violations of applicable antidiscrimination laws or regulations (including Regulation B--Equal Credit Opportunity Act and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

Appendix A

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: 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 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
 - a. Rates of poverty, unemployment, and population loss or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

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.

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 under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, 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 under the Lending and Community Development Tests 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 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 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 to business: A loan included in "loans to small businesses" as defined in 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.

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.)