



PUBLIC DISCLOSURE

June 6, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grand Mountain Bank, FSB
Charter Number 717950

337 East Agate Ave
Granby, CO 80446

Office of the Comptroller of the Currency

400 7th Street
Suite 3E-218
Washington, DC 20219

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 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.

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

The major factors supporting this rating include:

- The distribution of borrowers reflects excellent penetration among individuals of different income levels and exceeds the standards for satisfactory performance.
- The institution's average loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and the credit needs of the assessment area (AA).
- A majority of the institution's residential real estate loans are originated to customers inside the AA.

SCOPE OF EXAMINATION

The objective of this evaluation is to assess the bank's ability to meet the credit needs of the community in which it operates. Grand Mountain Bank (GMB) was evaluated using Small Bank Community Reinvestment Act (CRA) examination procedures, which includes a lending test. The lending test evaluated the bank's lending performance from January 1, 2013 through December 31, 2015. GMB's primary loan product is residential mortgage loans, which accounted for roughly 78 percent of loans originated during the evaluation period. This concentration warrants the emphasis on residential mortgage loans in the evaluation of the bank's CRA performance.

We performed a full scope review of the bank's AA, which includes all of Grand County. The majority of the bank's deposits, lending activity, and physical presence are in this market. The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act (HMDA). As the bank is not a HMDA reporter, we selected a random sample of 30 residential mortgage loans originated during the evaluation period to assess GMB's CRA lending performance.

DESCRIPTION OF INSTITUTION

GMB is an intrastate mutual stock institution headquartered in Granby, Colorado. GMB is a wholly owned subsidiary of Grand Mountain Bancshares, Inc. As of March 31, 2016, GMB had total assets of \$96.4 million, total loans of \$59 million, and total deposits of \$89 million. The institution offers traditional loan and deposit services, but its primary lending focus is residential mortgage loans.

GMB operates four full service branches to serve the public, all within Grand County, Colorado. The bank's main office is located in the city of Granby, Colorado, and three branches are located in the cities of Grand Lake, Fraser, and Kremmling. In September 2012, GMB closed one branch located in an upper-income census tract in Granby, Colorado.

The institution was rated “Satisfactory” at the March 14, 2011 CRA examination. There are no financial or legal impediments that hinder the institution’s ability to help meet the credit needs of its AA.

Please refer to the bank’s CRA Public File for more information.

DESCRIPTION OF GRAND COUNTY ASSESSMENT AREA

GMB has designated Grand County, Colorado as its AA. This AA consists of three census tracts, which are designated middle and upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Grand County is located in the Rocky Mountains with close proximity to several ski resorts. Grand County covers 1,870 square miles, and according to the 2010 U.S. census, has a population of 14,843, representing 19 percent growth (population of 12,442) since the 2000 census. Grand County includes the city of Granby, where the bank is headquartered, as well as the cities of Fraser, Kremmling, Grand Lake, and Hot Sulphur Springs (the county seat). The City of Granby is roughly 1.8 square miles, with a total population of 1,864 in 2010.

The unemployment rate in Grand County is consistent with the statewide average of 3.1%, as reported by the Bureau of Labor Statistics. The local economy is primarily dependent on the tourism industry, though there is a moderate amount of ranching activity in the western part of the county. Tourism peaks in the winter due to the ski resorts in the area, and then again during the summer months. Top year-round employers include the school district, county government, and local hospitals. Resorts in the area provide considerable seasonal employment as well. Table 1 below highlights some key economic data for this AA.

	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	3	N/A	N/A	2	1
Population by Geography	14,842	N/A	N/A	68%	32%
Owner-Occupied Housing by Geography	4,099	N/A	N/A	58%	42%
Businesses by Geography	1,516	N/A	N/A	73%	27%
Farms by Geography	70	N/A	N/A	79%	21%
Family Distribution by Income Level	3,094	13.5%	11.2%	24.5%	50.7%
Census Median Family Income (MFI)		\$57,817	Median Housing Value	\$274,120	
HUD - Adjusted MFI: 2015		\$60,700	Families Below the Poverty Level	6%	
HUD - Adjusted MFI: 2014		\$57,600			
HUD - Adjusted MFI: 2013		\$59,600	Unemployment Rate	2.37%	

Source: 2010 U.S. Census, Department of Housing and Urban Development (HUD)

We discussed local economic conditions and the performance of local financial institutions with a community leader, who indicated that local economic conditions are strong. Employment is strong, with some employers struggling to fill vacant positions.

The biggest local concern is the competitive housing market. Housing costs are high, with median housing value of \$274,120 due to close proximity to mountain resorts. Lower-income families struggle to find affordable housing in the area. Residential properties sell quickly, sometimes with multiple offers. As a result, residential construction has recently picked up. Our community contact indicated that local institutions were actively meeting the credit needs of the community. The primary credit needs of the community are residential real estate and construction lending and small business lending.

Competition for financial services is significant in Grand County. Competition consists primarily of large national financial institutions. The June 30, 2015 FDIC Deposit Market Share Report shows six financial institutions with a total of 10 branches, competing for \$306 million of insured deposits. GMB has the largest market share of deposits at 27% and does not operate outside of its AA. The other five institutions share 73% of market area deposits and have a significant presence and access to loans and deposits outside of the local market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- **GMB’s average loan-to-deposit (LTD) ratio is more than reasonable given the institution’s size, financial condition, and the credit needs of the AA.**

GMB’s average quarterly LTD ratio, since the previous CRA evaluation, is 72%. The average LTD ratio for similarly situated institutions during this same time period was 47%. Similarly situated institutions are those with similar business line, comparable asset size, and operating in a similar market. The results are summarized below:

Table 2: Loan-to-Deposit Ratio Comparison	
Institutions	Average Quarterly Loan-to-Deposit Ratio (1/1/11-12/31/15)
Grand Mountain Bank	72.3%
Bank A	52.9%
Bank B	48.6%
Bank C	39.8%

Source: Uniform Bank Performance Report

Lending in Assessment Area

- **GMB originates a substantial majority of its loans in its AA.**

We selected a random sample of 30 residential mortgage loans made between January 1, 2013 and December 31, 2015. Table 3 below shows that 90% by number and 87% by dollar volume of the loans sampled were originated in the AA.

Table 3: Lending in Grand County, Colorado										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	27	90	3	10	30	4,029	87	601	13	4,630

Source: Loan sample

Lending to Borrowers of Different Incomes

- **The distribution of loans reflects excellent penetration among individuals of different income levels, particularly low-and moderate- income (LMI) individuals.**

GMB’s record of lending to borrowers of different incomes exceeds the standards for satisfactory performance. The level of residential mortgage loans originated to LMI borrowers exceeds the percentage of LMI families living in the AA.

Table 4: Borrower Distribution of Residential Real Estate Loans in Grand County, Colorado								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	14%	19%	11%	15%	25%	11%	51%	56%

Source: Loan Sample and U.S. Census data.

Geographic Distribution of Loans

A geographic distribution analysis was not performed. The bank’s AA is comprised of only middle-and upper-income income geographies. Therefore, an analysis would not be meaningful.

Responses to Complaints

The bank has not received any CRA related complaints since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 12 CFR 195.28(c), in determining a National Bank (NB) or Federal Savings Association (FSB) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the NB or FSA, or in any AA by an affiliate whose loans have been considered as part of the NB’s or FSB’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

