



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Montana, Inc.
Charter Number: 15150**

**504 Mineral Avenue
Libby, Montana 59923**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Montana, Inc.** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of September 5, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

We assign this rating based on the following factors:

- A substantial majority of the bank’s loans are within its assessment area.
- The bank’s lending activity exhibits good distribution among businesses of different sizes and individuals of different income levels.
- The bank’s loan to deposit ratio is reasonable.

The following table indicates the performance level of The First National Bank of Montana, Inc. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Montana, Inc.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not rated. Not a meaningful analysis for this bank's assessment area demographics.		
Response to Complaints	No complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of Montana, Inc. is a community bank located in the remote area of Libby, Montana. The bank is owned by a two-bank holding company and primarily serves the towns of Libby and Troy in Lincoln County. The bank has one branch office in the adjacent town of Troy and three 24-hour ATMs located in Libby and Troy. Total bank assets as of March 31, 1997 are \$62.3 million. The bank's primary focus is providing a variety of credit products and deposit services to support the needs of the timber industry, consumers, and small businesses located within the assessment area.

The composition of the loan portfolio as of March 31, 1997, is: 30 percent one-to-four family residential; 24 percent other real estate; 20 percent commercial and industrial; 18 percent consumer; 5 percent construction and development; 2 percent credit card; 1 percent other loans and 1 percent municipal.

The prior Community Reinvestment Act Performance Evaluation was dated July 28, 1994, reflecting a "Satisfactory" rating.

The bank does not have any financial or legal impediments that prevent it from meeting the credit needs within its defined assessment area.

DESCRIPTION OF LINCOLN COUNTY ASSESSMENT AREA:

The First National Bank of Montana's assessment area is in a non-metropolitan statistical area consisting of four contiguous block numbering areas (BNAs), with all the BNAs located in Lincoln County. Three BNAs are designated as middle income and the one BNA that is designated as moderate income includes the town of Troy. The bank's assessment area includes no low- or upper-income geographies. Libby is the county seat for Lincoln County. The county population is 17,481 based on 1990 Census data. Libby is located in the northwest corner of the state and is approximately 40 miles east from the Idaho state border and 97 miles northwest of Kalispell, Montana.

The assessment area (AA) complies with the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. The Department of Housing and Urban Development's projected 1997 statewide non-metropolitan median family income for Montana is \$36,100.

The following table shows the number and percentage of block numbering areas by income level, and the percentage of total families residing in those geographies.

Number of Block Numbering Areas and Percentage of Families by Income Category

Income Characteristic of BNAs	# of Total BNAs	% of Total BNAs	% of Total Families
Low Income *	0	0%	0%
Moderate Income	1	25%	24%
Middle Income	3	75%	76%
Upper Income *	0	0%	0%
Total	4	100%	100%

* No low or upper income BNAs are located within the assessment area.

The current economic condition of the assessment area is depressed due to the closure of the ASARCO gold mine in Troy and the closure of two lumber mills. Layoffs from both industries are complete and further consolidation is unlikely. The population remains relatively stable due to retirees moving into the area. Much of the younger population continues to move out of the area due to the lack of quality jobs. Major industries include forestry, timber, services and retail trade. Competition within the bank's assessment area includes two other commercial banks, one credit union and a savings and loan branch.

We interviewed two community contacts during this examination, including a real estate broker and the mayor of Troy. Both individuals indicated that the primary credit need in the community is affordable housing. Each contact discussed why these credit needs cannot be met until Libby and Troy develop a stronger infrastructure to provide the ability to build housing. The town of Troy plans to construct a new sewer system beginning in the spring of 1998. According to the Realtor, the average price of a home in Libby is approximately \$55,000 to \$65,000 and in Troy the average price ranges from \$45,000 to \$60,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit (LTD) Ratio

The First National Bank of Montana, Inc maintains a reasonable loan-to-deposit ratio compared to a similarly situated community bank. This bank's average LTD ratio over the last eight quarters was 71%. The LTD ratio ranged from a low of 64% on September 30, 1995 to a high of 77% on March 31, 1997.

We compared the LTD ratio of First National Bank of Montana, Inc. to that of another similarly situated financial institution in Lincoln county. The other bank is considered similar to First National Bank of Montana, Inc. based on its similar market area and demographics, however is smaller in asset size than First National Bank of Montana, Inc. The similarly situated bank's LTD ratio averaged 86% over the last eight quarters. The other bank's LTD ratio ranged from a high of 104% on June 30, 1995 down to a low of 75% on September 30, 1996 during the same period.

Lending in the Assessment Area (AA)

The First National Bank of Montana, Inc. originated a substantial majority of loans within its assessment area. After verifying the bank's automated reports for loans originated from January 1996 through June 1997, we found on the average that 92 percent of the loans were in the assessment area. The table below further illustrates by number and dollar amount the loans made in the assessment area.

**Number and Percentage of Loan Originations Made
Within the Assessment Area in 1996 - 1997**

Year	# of Loans Originated	Total \$ Amount (000's)	% Made Within Assessment Area
Jan. - Dec. 1996	1,087	\$21,406	89%
Jan. - June 1997	551	\$11,805	94%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's loan originations reflect a reasonable distribution of loans among borrowers with different income levels and to small businesses. A small business is defined as having gross revenues of less than one million dollars. Using the same automated report First National Bank of Montana, Inc. made 462 small business loans for a total dollar amount of \$17,321,702 from January 1996 through June 1997. The proportion of loan originations to low- and moderate-income individuals is reasonable based on the demographics of the BNAs. The following table shows the distribution of originated loans.

**Percentage of Families in the AA and the
Percentage of Loans Made to Families**

Income Characteristic of Block Numbering Area*	% Families in Assessment Area	% Bank Loans to Families by Income Category
Low Income < than 50% of median family income	23	13
Moderate Income 50%- 80% median family income	19	17
Middle Income 80% -120% of median family	23	26
Upper Income > than 120% of median family income	35	44
Total	100	100

* HUD current adjusted income for statewide non-metropolitan statistical area median family income

Geographic Distribution of Loans

We did not analyze the geographic distribution of loans across BNAs of various income levels because of the makeup of the bank's assessment area. The assessment area contains no low income block numbering areas. The bank's Troy branch office is located in the only BNA designated as moderate income which is the community served by this branch office.

Response to Complaints

First National Bank of Montana, Inc. has not received any consumer complaints regarding its CRA performance since the last OCC examination.

Record of Complying with Antidiscrimination Laws

We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations.