

PUBLIC DISCLOSURE

September 9, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Whitefish
Charter Number: 8589**

**319 Second Avenue
Whitefish, Montana 49937**

**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 **First National Bank of Whitefish** prepared by the **Comptroller of the Currency**, as of September 9, 1996. 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**”.

- Loan-to-deposit ratio is reasonable and is comparable to similar banks;
- A majority of the bank’s loans are in the assessment area;
- Loans are made available to all income levels and to businesses of all sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Whitefish</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 received since the last examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Whitefish (FNB Whitefish), is an independently owned community bank located in Whitefish, Montana. As of June 30, 1996, the bank had \$32.6 million in total assets. FNB Whitefish has no branches and operates two automated teller machines (ATM's) in the community. FNB Whitefish is a subsidiary of Glacier Bancorp, Inc., a three bank holding company located in Kalispell, Montana. Consolidated assets of the holding company and subsidiaries totaled \$388 million as of December 31, 1995. The bank does not have any financial or legal impediments that prevent it from meeting the credit needs of the community/assessment area. FNB Whitefish received an "Outstanding Record of Meeting Community Credit Needs" during the last CRA examination dated August 14, 1989.

The bank's business focus is small business lending, residential real estate lending, and general purpose consumer lending. These loans (by number), make up 8 percent, 10 percent, and 82 percent, respectively, of loan originations for the eight months ending August 31, 1996.

DESCRIPTION OF FNB WHITEFISH'S ASSESSMENT AREA

FNB Whitefish's assessment area consists of nine census tracts located in Flathead County. The population of the assessment area is 40,601. The bank's assessment area does not include any low- and moderate-income census tracts and there are no neighborhoods in the assessment area that could be considered to be low- and moderate-income. The 1990 U.S. census data shows that nonmetropolitan statewide median family income for Montana is \$27,349. The median income classification for the census tracts in the assessment area is shown in the following table.

Number of Census Tracts	Income Category	Percent of families in assessment area
7	Middle	83%
2	Upper	17%

Based on discussions with bank management, the economic base of the community has shown improvement over the last few years and continues to grow at a moderate pace. Based on the October 1995 Montana Community Profile, published by the Montana Department of Commerce, the major employers are Burlington Northern Sante Fe Railroad, North Valley Hospital, and Winter Sports Inc. According to bank management, employment in the industries of manufacturing, construction, wholesale trade and tourism have shown moderate growth. The Montana Community Profile states that the average cost of a house in the assessment area is \$123,300, which is 166 percent higher than the statewide nonmetropolitan median housing cost of \$46,300.

The community contact used for this examination consisted of the Flathead Regional Development office located in Whitefish, Montana. Based on our community contact, there are no unmet credit needs; however, the contact stated that affordable housing and infrastructure repair were the primary community development needs in the area. The contact stated the need for affordable housing was not due to the lack of available credit or programs for low-income borrowers, but due to a small stock of existing affordable housing. The community contacts stated that the Glacier Affordable Housing Foundation was the primary non-government organization in the area that addressed affordable housing.

FNB Whitefish experiences strong competition from other financial institutions in the area. Financial institutions in the assessment area include two commercial banks, two credit unions, and one federal savings bank. The bank's assessment area complies with the Community Reinvestment Act and does not arbitrarily exclude any low- and moderate-income geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

FNB Whitefish has maintained a loan-to-deposit ratio that is consistent with similarly situated banks for the last eight quarters beginning September 30, 1994 and ending June 30, 1996. This bank's ratio was 74 percent compared to a range of 68 percent to 92 percent in seven other similarly situated banks. The similar situated banks are independent community banks located in the northwestern counties of Flathead and Lincoln with assets of less than \$100 million, and operate one or no branches.

Lending in the Assessment Area

Overall, the majority of FNB Whitefish's loans were originated within its assessment area. We took a sample of consumer, real estate and small commercial loans made since August 1995. Based on the addresses of the borrowers in our sample, we identified that 89 percent (by number) of FNB Whitefish's loans were in its assessment area.

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

Based on our sample of loans reviewed, FNB Whitefish extends credit to borrowers of different income levels and businesses of all sizes.

The tables below illustrate the demographics of the assessment area and the bank's lending performance in each income category and to businesses of different sizes, based on our sample of loans. Our sample consisted of 20 business purpose loans, 20 consumer loans and 20 real estate loans which were 11 percent (by number) of the loans originated since January 1, 1995.

Table 1

Income Population Category	Percent of the Population	Percent of loan sample Consumer	Percent of loan sample Real Estate
Low: < 50% of HUD median income	18%	5%	0%
Moderate: ≥ 50% but < 80% of HUD median income	17%	25%	5%
Middle: ≥ 80% but <120% of HUD median income	24%	20%	45%
Upper: ≥ 120% of HUD median income	41%	50%	50%
Total	100%	100%	100%

FNB Whitefish's low penetration of loans to low income borrowers is centered in real estate lending and is due to the lack of affordable housing in the area. A large portion of the population in the assessment area have incomes below the poverty level. This lack of qualified borrowers limits FNB Whitefish's ability to extend credit to low- and moderate-income borrowers. Also, based on previously discussed local income characteristics and information from local economic organizations, there would be a limited number of applicants that could qualify for existing real estate in the assessment area. Local housing prices are much higher than the state-wide average housing price. Based on the results of our review, consumer lending is reasonable.

Table 2

Business Revenues (000)	Percent of Loan Sample
0-\$100	39%
\$100-\$250	17%
\$250-\$500	6%
\$500-\$1,000	11%
>1,000	27%
	100%

Based on the results of our sample, FNB Whitefish makes loans available to small businesses, as 56 percent of the loans reviewed were made to micro-businesses with revenues less than or equal to \$250,000. As of examination date, FNB Whitefish had 19 SBA loans in the amount of \$2.7 million, which were 19 percent (by number), and 35 percent (amount) of the commercial loan portfolio. The bank is recognized as a preferred lender by the SBA.

Geographic Distribution of Loans

We did not find this analysis meaningful. The bank's assessment area consists of seven middle income census tracts and two upper income census tracts. Based on addresses, the distribution of loans were throughout the assessment area and the assessment area does not arbitrarily exclude any low- and moderate-income geographies.

Record of Complaints and Compliance with Antidiscrimination Laws

There were no complaints about the bank's CRA performance from the public and we found no violations of the substantive provisions of antidiscrimination laws and regulations.

Also, FNB Whitefish and its sister banks have been scheduled by HUD to enter into the Best Practices Agreement which signifies FNB Whitefish's commitment to affordable housing and to fair lending practices. FNB Whitefish along with its sister banks are the only banks in Montana invited to sign the agreement with HUD. This agreement is reserved for only the top few banks that have demonstrated both a commitment to increase home ownership opportunities and to fair lending practices

Community Development

Services

FNB Whitefish, along with affiliated Glacier Bank,FSB, and First National bank of Eureka has developed the Glacier Affordable Housing Foundation. This program provides down payment and closing costs for affordable housing in FNB Whitefish's assessment area. Funding for the program is supplied through grants from government agencies. FNB Whitefish dedicates several resources to the foundation including management coordination, advertisements and credit expertise. In conjunction with the foundation, FNB Whitefish sponsors seminars for first time home buyers on an ongoing basis. To date no loans have been funded through this program.

FNB Whitefish along with it affiliated banks received the Community Bank Partnership Award from the Federal Home Loan Bank of Seattle for its outstanding partnership in revitalizing the Flathead Valley's affordable housing initiative. This award was a direct result of the development of the Glacier Affordable Housing Foundation.

Douglas Johnson, President of FNB Whitefish serves on the local Whitefish Area Affordable Housing Committee. President Johnson provides credit related expertise to the committee.