



Comptroller of the Currency
Administrator of National Banks

Small
Bank

Public Disclosure

January 4, 1999

Community Reinvestment Act Performance Evaluation

**BankWest, N.A.
Charter Number 21156**

**444 West Idaho
Kalispell, Montana 59904**

**Comptroller of the Currency
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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 CRA performance of **BankWest, N.A.** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 4, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated satisfactory.

BankWest, N.A. demonstrates a reasonable loan-to-deposit percentage given the bank's size, its capacity to lend, and the market in which it operates. A majority of the bank's lending is within its assessment area. The bank's lending to businesses of different sizes and borrowers of different income levels is reasonable considering the lending competition within Flathead County. The bank complies with the provisions of anti-discrimination laws and has not received any written consumer complaints associated with the bank's performance under the CRA.

Description of Institution

BankWest, N.A. (BW) is a community bank with assets of \$46 million as of December 31, 1998. The bank operates one office in Kalispell, Montana. It has two automated teller machines and no branches. The bank is a wholly-owned subsidiary of BankWest Financial, a one bank holding company. Total assets at December 31, 1998, were \$46 million.

There are no material impediments that affect the bank's ability to meet the credit needs of its assessment area. As of December 31, 1998, total loans outstanding were \$29 million and total equity capital represented 9.7% of total assets.

BW's primary lending focus is small commercial business loans. As shown later in the performance section of this evaluation, the bank's commercial loan originations during the two years since our last review of the bank's performance under CRA, comprises 55% of total originations by dollar. As of December 31, 1998, the loan portfolio consisted of 57% commercial loans, 31% consumer loans, and 12% real estate loans by dollar amount. For this examination, we evaluated CRA performance based on lending to small businesses as it represents the majority of its lending.

Banking competition is keen. Thirteen banks compete for financial services business in Flathead County. Based on June 30, 1998 FDIC data, branches of First Interstate Bank, Glacier Bank, and Norwest Bank held 60% of the deposits in the county. BW's market share was nominal at 6%.

BW received a Satisfactory rating for meeting the community's credit needs at the previous OCC examination in January 1997.

Description of Assessment Area

The bank's assessment area is Flathead County. It consists of thirteen of the county's fourteen census tracts. The assessment area excludes the census tract which comprises Glacier National Park. The assessment area is not located within a Metropolitan Statistical Area (MSA). Eleven tracts are middle-income and two are upper-income. There are no low- or moderate-income (LMI) census tracts. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any LMI geography.

Key economic elements are services, tourism, and lumber. Employment growth has been modest. Data from the State of Montana shows that job growth has primarily been in lower paying service industries. Unemployment in Flathead County is moderate. It was 6.6% in 1997 compared to 5% for the entire state, and has been slowly trending down since 1992.

The county population was 56,700 at the 1990 US Census. It has grown about 3.5% per annum, and is currently estimated by the Montana Department of Commerce at 72,690. About 45% of the population resides in Kalispell.

We conducted two community contacts in the bank's assessment area to learn about credit needs within the area and how well financial institutions are addressing those needs. One contact represented an economic development organization. The contact stated that they are involved with numerous economic development projects that create jobs as well as provide lending opportunities for local banks. They would like to see more of the smaller banks participate in these projects. The other contact represented a trade organization. The contact stated that there are many banks in the market and they provide a good level of service. However, they see a declining trend in good paying jobs which will ultimately impact the local economic base and perhaps negatively affect banking services.

The following chart summarizes the assessment area demographics by population, families, and number of small businesses. Small businesses are defined as having annual gross revenues of \$1 million or less.

Assessment Area Characteristics							
Income Level of Census Tracts	Number of Census Tracts	1990 Census Population		Families		Small Business	
		#	%	#	%	#	%
Low	0	0	0%	0	0%	0	0%
Moderate	0	0	0%	0	0%	0	0%
Middle	11	49,713	88%	13,749	87%	2,445	92%
Upper	2	6,987	12%	1,983	13%	218	8%
Total	13	56,700	100%	15,732	100%	2,663	100%

Conclusions with Respect to Performance Criteria

Loan to Deposit Percentage

BW's loan-to-deposit (LTD) percentage is reasonable given the bank's size, its capacity to lend, and the market in which it operates. It compares favorably with similarly situated banks.

We analyzed BW's LTD percentage over the period January 1, 1997 through December 31, 1998. During these eight quarters, the bank's LTD percentage ranged from a low of 68.8% at September 30, 1998 to a high of 90.5% at March 31, 1997 with an average percentage of 78.3%.

We compared this LTD percentage to that of five community banks of similar size in Flathead County that compete with BankWest. On average, the LTD percentage for these banks over the past two years is 71.8%. As of 9/30/98 these five community banks ranged in size from \$17 million in total assets to \$95 million. In comparison, total assets at BankWest are \$46 million. Each is a full service bank offering a variety of loan and deposit products with a focus on small business banking.

Percentage of Lending in the Assessment Area

The bank originates a substantial majority of its loans within the assessment area. The bank routinely compiles the geographic location of its loans. Based on this data, it originated a total of 2,496 loans of all types since our previous evaluation in January 1997. This data also revealed that 90% by number and 91% by dollar amount were originated in the assessment area. To verify this data, we sampled a portion of the business loans and real estate loans to confirm the number and dollar volume originated within the assessment area. We drew this sample from loans originated from January 1997 to December 1998. This is our assessment period. Our loan sample represented 5% of total business loan production and 17% of the real estate loan production over the assessment period. Based on this sample, we confirmed the bank's data to be accurate.

Loans Originated in 1997/1998 - in \$millions									
	Commercial		Consumer		Real Estate		Total		
	#	\$	#	\$	#	\$	#	%	%
Inside Total	841	27.4	1,264	10.7	135	11.9	2,240	90%	91%
Outside the Area	105	2.7	140	1.5	11	0.9	256	10%	9%
Total	946	30.1	1,404	12.2	146	12.8	2,496	100%	100%

Our conclusion is that the percentage of the bank's lending in the assessment area is satisfactory.

Distribution of Loans to Businesses and Borrowers of Different Sizes

BW's primary lending focus is small commercial business loans. Thus, our analysis of the bank's lending performance gives the most weight to this loan category.

Over the assessment period, the bank originated 841 business loans within its assessment area totaling \$27.4 million. We analyzed a sample of 50 loans to estimate the distribution of the bank's business loans among borrowers of different sizes. The following table shows the distribution of the business loans we reviewed by revenue size.

Distribution of Business Loans by Revenue Size of Business				
Gross Annual Revenues 000's	# of Business in Assessment Area(1)	% of Businesses in Assessment Area	# of Loans Sampled	% of Loans Sampled
0 - \$100	2,663	93%	13	26%
\$100-\$500			23	46%
\$500- \$1 million			7	14%
over \$1 million	185	7%	7	14%
Total	2,848	100%	50	100%

(1): This information is based on 1997 Dunn & Bradstreet data.

The data reflects a reasonable distribution of loans to businesses of different sizes. Given the demographics of the area, BW's lending reflects satisfactory penetration among small businesses. Based upon our sample, 86% of the loans were made to small businesses. This compares satisfactorily to 1997 aggregate business data which shows 93% of the businesses in the assessment area have annual revenues of \$1 million or less.

Over the assessment period, the bank originated 146 real estate loans within its assessment area totaling \$12.8 million. We analyzed a sample of 25 real estate loans to assess the distribution of loans to borrowers of different income levels. According to U.S. Department of Housing and Urban Development (HUD) data, the 1998 median family income for non-MSA areas of Montana is \$36,100. The following table shows the distribution of the real estate loans we reviewed among borrowers of different income levels.

Distribution of RE Loans by Income Size of Borrower			
Applicant income as a % of non-MSA median income	percent of families in assessment area	# of 1-4 family residential loans	percent of 1-4 family residential loans
Low	18%	0	-0-
Moderate	17%	2	8%
Middle	23%	14	56%
Upper	42%	9	36%
Total	100%	25	100%

BankWest's low penetration of real estate loans to low- and moderate-income borrowers is due to the area's low median family income level and the relatively high average cost of housing. 1990 U.S. Census data report a weighted average median housing cost of \$67,110 and a weighted average median family income of \$29,386. According to the Kalispell Chamber of Commerce 1998 community profile, the average sales price of a non-waterfront residence is now \$104,144. And as stated earlier, the 1998 HUD median family income is now \$36,100. This data shows that housing prices have risen about 55% since 1990 while incomes have only risen about 23%. As the data suggests, it is becoming more difficult for low- and moderate-income families to qualify for mortgages.

Based on the results of our sample, the bank has done a good job of lending to middle-income borrowers. Fifty-six percent of RE loans originated in 1998 were to borrowers with annual incomes between \$28,880 and \$43,320 which is HUD's middle income range for the non-MSA areas of Montana.

Geographic Distribution of Loans

The bank's assessment area does not contain LMI census tracts. As a result, a geographic analysis would not be meaningful as the assessment area only contains middle- and upper-income tracts.

Discriminatory Practices

We conducted a concurrent fair lending examination and found no evidence of discriminatory lending practices. The bank complies with the provisions of anti-discrimination laws and regulations.

Review of Complaints

There were no written consumer complaints associated with the bank's performance under the Community Reinvestment Act.