



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 10, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Fairfield  
Charter Number: 11307**

**321 Central Avenue  
Fairfield, MT 59436**

**Office of the Comptroller of the Currency**

**Salt Lake City (Utah, Montana, Wyoming, Idaho)  
2795 East Cottonwood Parkway, Suite 390  
Salt Lake City, UT 84121**

**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.**

This institution is rated **“SATISFACTORY.”**

The First National Bank of Fairfield satisfactorily meets the credit needs of its assessment area (AA), consistent with its resources and capabilities. This assessment is based upon the following lending conclusions:

- The bank has a reasonable loan-to-deposit ratio.
- The bank’s lending in its AA exceeds the standard for satisfactory performance.
- The bank’s distribution of loans to farms of different sizes and to borrowers of different incomes meets the standards for satisfactory performance.
- There were no public complaints about the bank’s Community Reinvestment Act (CRA) performance.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Fairfield (FNB) is a community bank operating in rural, north central Montana. The bank is a wholly-owned subsidiary of Teton Bancshares, Inc. FNB provides full service banking through its main office in Fairfield and its branch located in Vaughn, MT. The bank offers automated teller machine services at each location. FNB’s primary lending products are agricultural and consumer loans. However, the bank offers a full range of lending products.

FNB received a satisfactory rating in its last CRA examination, dated November 25, 2002. No legal or financial factors impede the bank’s ability to meet the credit needs of its community. As of June 30, 2007, the bank had total assets of \$91 million with \$46 million in net loans. FNB’s percentage of net loans to average total assets was 53 percent, and the net loans to total assets ratio was 51 percent.

*Please refer to the CRA Public File for further information.*

## **DESCRIPTION OF ASSESSMENT AREA**

FNB’s AA meets the regulation’s requirements and does not arbitrarily exclude low- or moderate-income areas. The AA includes five contiguous census tracts in Teton County, MT, and the Great Falls, MT, Metropolitan Statistical Area. Based on 2000 U.S. Census data, all five census tracts are categorized as middle-income. The AA’s population was 14,777, and the median weighted average housing value was \$79,793, with 72 percent of total housing units owner-occupied. The 2000 U.S. Census data reported median family income of \$38,416. The HUD adjusted median family income for 2006 was \$47, 260.

The assessment area’s economy is largely dependent on small grain agriculture, and specifically, custom barley grown for Anheuser Busch. Please refer to the *CRA Public File* for further

information.

In conjunction with this CRA examination, we conducted a community contact interview with a representative from a state government agency to determine what credit opportunities exist for local financial institutions and whether financial institutions were adequately addressing the community's credit needs. The representative identified opportunities for banks to provide affordable housing, including multi-unit housing, and startup financing for new businesses. Further, the representative felt that smaller independent banks are more in tune with their communities, and while sometimes lacking product sophistication, they have policy flexibility. The representative did not provide information specifically regarding FNB.

*Please refer to the bank's CRA public file for more information about the AA.*

## **SCOPE OF EXAMINATION**

The evaluation period for this CRA examination focuses on loan originations from January 1, 2005, through September 30, 2007. To determine the bank's primary lending products, we reviewed both the dollar amount of loans and the number of loans originated or purchased during the evaluation period. FNB's primary loan product based on dollar volume is agricultural lending and based on number of loans originated is consumer lending. Accordingly, we randomly selected from throughout the evaluation period 20 loans to agricultural borrowers and 20 consumer loans as representative samples on which to base our conclusions.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's average loan-to-deposit ratio since the last examination is reasonable.

FNB's loan-to-deposit ratio over the past 18 quarters is reasonable and meets the standard for satisfactory performance given the bank's size and financial condition, local economic factors, and lending opportunities within its assessment area. The bank's loan-to-deposit ratio over the past 18 quarters is 61 percent. There are four competing financial institutions subject to CRA headquartered within the assessment area. These competing banks' loan-to-deposit ratios ranged from 51 percent to 78 percent and averaged 65 percent. When ranked by loan-to-deposit ratio over the past 18 months, FNB was third of the five banks.

### **Lending in Assessment Area**

The bank originated a substantial majority of its loans in the assessment area.

Based on our sample, FNB originates 88 percent of its loans by number and 97 percent of its loans by dollar amount to borrowers in the assessment area.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

FNB's performance in lending to borrowers of different incomes and to businesses of different sizes is reasonable.

The bank's distribution of loans to agricultural borrowers of different sizes exceeds the demographic comparators of the assessment area. Based on our sample, 100 percent of loans to farms in the assessment area went to agricultural borrowers with annual revenues of \$1 million or less.

FNB's distribution of consumer loans compared to the percentage of assessment area low- and moderate-income households meets the standard for satisfactory performance. The borrower distribution, in terms of income category, approximates demographic comparators in the assessment area. Based on our sample, the bank originates 25 percent of its consumer loans to low-income households and 15 percent of its consumer loans to moderate-income households. Twenty-one percent of assessment area households are low-income, and 17.5 percent are moderate-income.

## **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans was not applicable, as the assessment area has no low- or moderate-income census tracts.

## **Responses to Complaints**

No consumer complaints regarding the bank's CRA performance were made during the assessment period.

## **Fair Lending or Other Illegal Credit Practices Review**

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