



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 22, 2008**

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

Mountain West Bank of Kalispell, National Association  
Charter Number 21156

444 West Idaho  
Kalispell, MT 59901-3945

Office of the Comptroller of the Currency

SALT LAKE CITY, UT  
2795 East Cottonwood Parkway Suite 390  
Salt Lake City, UT 84121-7036

**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 Satisfactory.**

- Lending to borrowers of different incomes and businesses of different sizes is satisfactory and meets the standards for satisfactory performance.
- A substantial majority of lending is made within the assessment area (AA.)
- The loan-to-deposit ratio is more than reasonable in comparison to similarly situated banks in Flathead County.
- An analysis of geographic distribution of loans is not meaningful.
- No complaints were made between the last CRA exam and the current CRA exam.

## **SCOPE OF EXAMINATION**

We completed a review of Mountain West Bank Kalispell's (MWBK) CRA performance. Our review focused on commercial and consumer lending because these are the primary loan products offered by MWBK. In order to analyze the bank's lending performance, we randomly selected 20 consumer-purpose loans and 20 commercial-purpose loans made between January 1, 2006 and August 31, 2008. Finally, we reviewed the bank's public CRA file and assessment area (AA) for compliance with bank regulations.

## **DESCRIPTION OF INSTITUTION**

Mountain West Bank of Kalispell (MWBK) is a full service bank located in Kalispell, Montana. Mountain West Financial Corporation of Helena, Montana owns 100% of MWBK. As of June 30, 2008, the bank had total assets \$120 million of which \$102 million are loans. MWBK has two offices. One is in Kalispell located at 444 West Idaho Street and the other is in Whitefish located at 601 Spokane Avenue. Lobby hours for both locations are Monday through Thursday from 9:00am to 4:30pm and Friday from 9:00am to 5:00pm. Drive-up hours at both locations are open from Monday through Friday from 7:30am to 6:00pm and Saturday from 9:00am to 1:00pm. MWBK has four ATMs: one is located at each of the offices; one is located at Rosauer's Grocery Store, 2150 Highway 93 South, Kalispell, MT; and one is located at Grouse Mountain Lodge, 2 Fairway Drive, Whitefish, MT. ATM locations are also available at the offices of this bank's affiliate, Mountain West Bank, N.A., which has offices in Helena, Great Falls, Bozeman, and Missoula.

The prior Community Reinvestment Act Performance Evaluation performed as of April 12, 2004, resulted in a "Satisfactory" rating.

The bank does not have any financial or legal impediments that prevent it from meeting the credit needs of the community and assessment area.

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

## **DESCRIPTION OF ASSESSMENT AREA**

MWBK's assessment area includes all of Flathead County. Flathead County is not part of a metropolitan statistical area. Flathead County's largest cities are Kalispell, Whitefish, and Columbia Falls. The three largest employers in Flathead County are Kalispell Regional Medical Center, Semitool, and Plum Creek Timber; this according to the Flathead County Economic Development Authority (FCEDA.) The FCEDA also reports the three biggest industries in Flathead County are services (39%), trade (24%), and transportation (12%).

The AA is comprised of 15 census tracts: 12 middle-income tracts, two upper-income tracts and 1 moderate-income tract. The AA does not arbitrarily exclude any low- or moderate-income areas. The moderate-income tract contains only five households, the middle-income tracts contain 25,461 households, and the upper-income tracts contain 4,228 households. The area has high levels of competition as fourteen bank charters and numerous credit unions compete for business within the county. According to 2000 Census data, 62 percent of the 34,773 housing units in the AA were owner occupied and 14 percent of the housing units were vacant. Census data lists the population of the AA at 74,471. For 2008, the US Department of Housing and Urban Development (HUD) estimates the non-metropolitan, median family income (MFI) for Montana at \$48,900.

The primary products offered by MWBK include small business loans, consumer loans, and home loans. As part our assessment, we contacted the City of Kalispell to solicit feedback on community credit needs. The economic development coordinator for the City of Kalispell stated that affordable housing is the primary financing need for Kalispell. However, the coordinator declined to provide any feedback about how well MWBK or other banks in the assessment area are meeting that need. The bank's *CRA Public File* contains further information on bank products and services.

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

### **Performance Criteria Scope**

We evaluated the bank's lending performance by reviewing consumer and commercial loans originated during the period from January 1, 2006 to August 31, 2008. The primary types of loans we reviewed were consumer and commercial loans. These loans accounted for 82% by number (1375 of 1678) of outstanding loans. We randomly selected 20 commercial and 20 consumer loans to test the bank's lending performance. To assist in our evaluation, we also reviewed the most recent CRA Performance Evaluations of three other similarly situated banks in the community.

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

*The bank's average loan-to-deposit ratio is more than reasonable.*

MWBK's net loan-to-deposit (LTD) ratio is above the standard for satisfactory performance given the bank's size and financial condition, credit needs of the assessment area, and similarly situated bank's within the bank's assessment area. As shown in the graph below, MWBK's average LTD ratio is 100.21%, which is well above the three-bank average of 83.53%.

Bank Name	Assessment Area	Total Assets (6/30/08)	Loan-to-Deposit Ratio * (13 quarter average)
Mountain West Bank of Kalispell, N.A.	Flathead County	\$119,843	100.21%
Freedom Bank	Flathead County	\$65,771	96.02%
Valley Bank of Kalispell	Flathead County	\$99,219	71.55%
Three Rivers Bank of Montana	Flathead County	\$97,166	83.01%

*\*6/30/05 through 6/30/08*

## Lending in Assessment Area

*MWBK exceeds the standards for satisfactory performance with a substantial majority of loans originating within the AA.*

Of the loans we sampled, 90% by number and dollar volume were within the bank's assessment area. The sampling results are in the following table:

Table 1 - Lending in Flathead County AA (Jan 1, 2006 through Aug 31, 2008)										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	18	90.00%	2	10.00%	20	\$229	69.34%	\$101	30.66%	\$330
Commercial Loans	18	90.00%	2	10.00%	20	\$1,665	93.62%	\$113	6.38%	\$1,778
Totals	36	90.00%	4	10.00%	40	\$1,893	89.82%	\$215	10.18%	\$2,108

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

*Mountain West Bank of Kalispell's consumer lending has satisfactory penetration into their assessment area.*

The proportion of loans to low-or-moderate-income individuals is comparable to the demographics of the AA.

<b>Table 2 - Consumer Lending in Flathead County AA (Jan 1, 2006 through Aug 31, 2008)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	20.04%	20.00%	16.09%	30.00%	19.64%	25.00%	44.23%	25.00%

*MWBK has excellent lending penetration for loans to small businesses in the assessment area.*

MWBK has made 90% of loans by number and 93.8% of loans by dollar amount to small businesses within the bank's assessment area. Based on demographic data, 65.7% of area businesses have sales of less than \$1 million (considered small businesses.) The three similarly situated banks have an average borrower distribution of 81% of loans by number and 74% of loans by dollar amount made to small businesses within the bank's AA. MWBK not only compares favorably to demographic information but they also compare favorably to similarly situated banks in the AA.

<b>Table 2A - Lending to Businesses in Flathead County AA (Jan 1, 2006 through Aug 31, 2008)</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	65.70%	3.68%	30.61%	100.00%
% of Bank Loans in AA by #	90.00%	10.00%	0.00%	100.00%
% of Bank Loans in AA by \$	93.80%	6.20%	0.00%	100.00%
(3 Bank) % Bank Loans AA by #	81.16%	18.84%	0.00%	100.00%
(3 Bank) % Bank Loans AA by \$	72.43%	27.57%	0.00%	100.00%

## **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans is not meaningful. There is one moderate-income census tract in the assessment area; however, no loans were made to individuals within this census tract. Demographic information shows that 17 individuals (5 households) reside in this census tract. Because the area has a limited population, penetration into this census tract is not expected.

## **Responses to Complaints**

MWB of Kalispell did not receive any consumer complaints about its performance in

meeting the credit needs of the assessment area during the evaluation 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.

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