



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 5, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of White Sulphur Springs
Charter Number 3375

205 West Main
White Sulphur Springs, Montana 59645

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 White Sulphur Springs prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 5, 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 "Outstanding."

The First National Bank of White Sulphur Springs meets the rating definition of "Outstanding" because of:

- An excellent distribution of loans to small farms and small business borrowers, and people of different income levels;
- A substantial majority of the loans are in the assessment area; and
- A reasonable loan-to-deposit ratio of 63 percent.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of White Sulphur Springs 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 a meaningful analysis due to low number of block numbering areas in assessment area.		
Response to Complaints	No complaints since the last examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of White Sulphur Springs is a rural bank owned by a one-bank holding company. Total bank assets as of June 30, 1996, are \$23.3 million. They have one 24-hour ATM at the nearby Town Pump. The bank's primary focus is to provide a variety of credit and deposit services to support the needs of agricultural producers, consumers, and small businesses located within the assessment area.

In January 1996, they opened a branch in Clyde Park. Clyde Park is 52 miles south of White Sulphur Springs and is in a moderate-income census tract. Moderate loan growth is primarily in agricultural loans.

The composition of the loan portfolio as of June 30, 1996, is: 45 percent agricultural; 20 percent one-to-four family residential; 17 percent commercial and industrial; 8 percent consumer; 7 percent other real estate; 3 percent municipal loans.

The prior Community Reinvestment Act Performance Evaluation was dated October 20, 1993, with a "Satisfactory" rating.

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

DESCRIPTION OF MEAGHER AND PARK COUNTIES:

The First National Bank of White Sulphur Springs' assessment area is in a non-metropolitan statistical area (MSA) and consists of three block numbering areas (BNA). It includes all of Meagher County and the northern portion of Park County. Two BNAs are designated as moderate-income and the BNA that includes the town of White Sulphur Springs is middle-income. There are no BNAs in low- or upper-income geographies. The bank's assessment area complies with the Community Reinvestment Act and does not arbitrarily exclude low- or moderate- income geographies. The population of the assessment area is 3,419. The 1990 U.S. Census data shows non-MSA median family income for Montana is \$27,349.

The current economic condition of the assessment area is stable. The population has remained constant over the last five years. Major industries include small farms, government, and services. Within the assessment area there are no other financial institutions.

Community contacts interviewed during this examination included a real estate salesperson, a local business owner and two officials from Meagher County, including a county commissioner. They said that primary credit needs were traditional consumer and business loan products. The contacts also identified affordable, multi-family housing as a need. The real estate salesperson estimated current housing prices range from \$35,000 to \$125,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The First National Bank of White Sulphur Springs has maintained a loan-to-deposit ratio comparable to seven similarly-situated banks within 150 miles of the bank. We averaged each bank's loan-to-deposit ratio for the last eight quarters for comparison. These banks are similar to The First National Bank of White Sulphur Springs by size, primary lending focus (agriculture), and ownership (one-bank holding company). During the last eight quarters, the bank's loan-to-deposit ratio went from 56 percent on September 30, 1994, to 72 percent on June 30, 1996, with an average loan-to-deposit ratio of 63 percent. The eight-quarter average loan-to-deposit ratio for the seven similarly-situated banks was: 63 percent, 63 percent, 65 percent, 69 percent, 72 percent, 82 percent, and 87 percent.

Loans sold in 1995 and 1996 could have potentially increased the loan-to-deposit ratio by 10 percent if the bank had retained the loans. Through discussions with management, we determined that the bank sold approximately \$1.8 million in loans during this same time frame. The bank originated 524 loans totaling \$10.3 million between January 1, 1995, and July 15, 1996.

Lending in the Assessment Area

The First National Bank of White Sulphur Springs originated a substantial majority of loans within its assessment area. Based on our sample of 167 loans, we found that 95 percent of the number of loans as of June 30, 1996, were in the assessment area.

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

The bank's distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels, and businesses and farms of different sizes.

The table below shows the distribution of 34 consumer loans and 20 home mortgage loans that we sampled compared with the demographics of the assessment area. Loans to low- and moderate-income borrowers totaled 72 percent of loans reviewed.

Income Designation of the Borrower	Percent of Families in the Assessment Area	Number of Loans	Percent of Loans Based on Sample
Low	27%	20	37%
Moderate	23%	19	35%
Middle	21%	7	13%
Upper	29%	8	15%
Total	100%	54	100%

This table shows The First National Bank of White Sulphur Springs' excellent record of making small loans to businesses and farms. From our sample of 98 loans, 94 were made to small businesses and small farms.

Business Revenues (\$000)	Number of Loan Originations	Percent of Loan Originations
0-100	39	40%
100-250	30	31%
250-500	14	14%
500-1,000	11	11%
> 1 million	4	4%
Total	98	100%

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.

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.