



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

May 4, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Lewistown
Charter Number 12608**

**220 West Main Street
Lewistown, Montana 59457**

**Office of the Comptroller of the Currency
Salt Lake City Field Office
2855 Cottonwood Parkway, Suite 370
Salt Lake City, Utah 84121**

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 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 Lewistown**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 4, 1998. 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**”.

We assign this rating based on the following factors:

- The bank’s loan-to-deposit ratio is reasonable and comparable to other local banks.
- The bank makes a substantial majority of its loans within its assessment area.
- Loans are reasonably distributed geographically throughout the assessment area.
- The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Lewistown</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		X	
Response to Complaints	No Complaints Received Since the Prior Examination		

DESCRIPTION OF INSTITUTION

The First National Bank of Lewistown (FNBL) is a \$56 million community bank located in Lewistown, Montana. Lewistown is a farming community with 7,500 residents located in central Montana. The bank has no branches and operates one automated teller machine. FNBL is a subsidiary of Citizens Development Corporation, a six-bank holding company based in Billings, Montana. Consolidated assets of the holding company totaled \$321 million as of December 31, 1997.

The bank specializes in lending to local farmers, small businesses and consumers. On December 31, 1997, agricultural loans comprised 33% of outstanding loans, commercial loans were 42%, consumer loans were 12% and residential real estate loans were 13% of outstanding loans.

FNBL received a "Satisfactory" rating in the previous CRA Performance Evaluation dated August 14, 1996.

There are no financial or legal impediments which limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNBL's assessment area includes 16 block numbering areas (BNAs) in Judith Basin, Garfield, Golden Valley, Petroleum, Fergus and Wheatland Counties in central Montana. The assessment area follows natural geographic boundaries and is approximately 220 miles wide and 120 miles long. The assessment area does not arbitrarily exclude any low- or moderate-income areas. Approximately 20,000 people live in the assessment area. The population increased 3% from 1991 to 1997.

The 1998 Montana statewide non-metropolitan median family income (MFI) is \$36,100. The following table summarizes the income levels of individual BNAs and families located within the bank's assessment area:

1990 U.S. Census Income	# of BNAs	% of Families
Low Income (<50% MFI)	0	23%
Moderate Income (50-79% MFI)	5	22%
Middle Income (80-119% MFI)	11	24%
Upper Income (120+% MFI)	0	31%

DESCRIPTION OF ASSESSMENT AREA (continued)

The local economy is tied to agriculture and is centered in beef cattle and wheat production. Other significant industries include: government services, mining and manufacturing. The economy has been hindered the last two years by slowdowns in the local mining industry. Employee reductions at the mines has caused a small population decline since 1996. This eased pressure on housing by increasing the supply of units available for rent and for sale.

We considered information from two recent community contacts in analyzing this bank's lending record. One contact represented an organization focused on economic development and job creation by small businesses. The other contact was knowledgeable regarding local farming conditions. The community contacts identified a need for loans for small farms and businesses and for affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBL's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. From September 30, 1996, through December 31, 1997, the bank's quarterly loan-to-deposit ratio averaged 70%. The ratio is similar to five other similarly situated banks in the assessment area with total assets less than \$75 million. Their average loan-to-deposit ratios ranged from 68% to 87%, and the median was 73%.

Lending in Assessment Area

The bank makes a substantial majority of its loans to borrowers located within its assessment area. FNBL originated 906 loans in 1997. Of these, 864 (95%) were made in the assessment area. We used bank prepared reports that tracked all loans originated in 1997 within each BNA. We verified the bank's data for accuracy by comparing customer addresses to BNA maps.

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

FNBL's lending patterns reflect excellent distribution among farms, businesses, and individuals of different income levels. FNBL originated 80% of their farm and business loans to entities with gross revenues less than \$250,000. The bank made 20% of their consumer and residential real estate loans to low-income families, nearly matching this group's 23% representation in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

We analyzed the distribution of farm and business loans made in the fourth quarter of 1997 and the first quarter of 1998. We reviewed 300 farm/business loans and utilized gross revenue information collected by the bank. We verified the gross revenues by comparing the report's data to information in the credit files. The following chart reflects the distribution of farm/business loan originations to farms/businesses of various sizes:

Gross Farm/Business Revenues	# of Loans	% of Loans
Less than \$100,000	153	51%
\$100,000 to \$250,000	87	29%
\$250,000 to \$500,000	22	7%
\$500,000 to \$1,000,000	11	4%
Greater than \$1,000,000	27	9%

We also reviewed the distribution of all consumer and residential real estate loans made in 1997. We used a bank report listing borrower incomes for 382 consumer and residential real estate loans. We verified the accuracy of the bank's reports by sampling credit files. The following chart reflects the bank's distribution of consumer and residential real estate loan originations (number of loans) to families of different income levels:

Family Income	% of Consumer and Residential RE Loans	% of Families in Assessment Area
Low (<\$18,050)	20 percent	23%
Moderate (\$18,051-\$28,879)	25 percent	22%
Middle (\$28,880-\$43,319)	21 percent	24%
Upper (>\$43,320)	34 percent	31%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. We analyzed all loans made in 1997. FNBL's minimal penetration of moderate-income BNAs is partially mitigated by the fact that the moderate income tracts are in the outer circle of the bank's assessment area and are a considerable distance from the bank. Borrowers in the moderate-income tracts have more convenient access to other financial institutions than to FNBL. The distribution of credit originations (number of loans) is displayed below:

Geographic Distribution	% of families living in BNA	% of loans in BNA
Moderate-income BNA	24%	4%
Middle-income BNA	76%	96%

Record of Complaints and Compliance with Antidiscrimination Laws

There were no complaints about the bank's CRA performance from the public since the last CRA examination. We found no violations of the substantive provisions of anti-discrimination laws and regulations.