



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 6, 2003**

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

**First National Bank of Lewistown  
Charter Number 12608  
224 West Main Street  
Lewistown, MT 59457**

**Comptroller of the Currency  
ADC - Montana, Wyoming, Idaho & Utah  
490 North 31st Street Suite 220  
Billings, MT 59101**

**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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of the assessment area. The following supports this rating:

- The average loan-to-deposit ratio reflects a satisfactory responsiveness to community credit needs and is reasonable when compared to similarly situated banks.
- A substantial majority of agricultural, commercial and consumer vehicle loans were originated within the assessment area.
- An analysis of loan originations revealed an excellent distribution among small farms and small businesses and a reasonable distribution to borrowers of different income levels.
- Loans are reasonably distributed geographically throughout the assessment area.

## **DESCRIPTION OF INSTITUTION:**

The First National Bank of Lewistown (FNBL) is a community bank operating in rural, central Montana. FNBL is a subsidiary of Citizens Development Corporation, a five-bank holding company based in Billings, Montana. FNBL is located in the center of Lewistown. The bank owns an ATM, which is located at the drive-up facility. FNBL provides a variety of credit and deposit services to support agricultural producers, small businesses and consumers located within the assessment area (AA).

As of September 30, 2002, the bank had total assets of \$70 million and Citizens Development Corporation had total assets of \$400 million. FNBL's percentage of net loans to total assets was 78 percent. The following table displays the breakdown of the bank's loan portfolio.

<b>Table 1</b> <b>AVERAGE LOAN PORTFOLIO COMPOSITION</b> <b>September 30, 2002</b>	<b>\$ (000)</b>	<b>Percent</b>
Real Estate Loans		
Commercial	11,364	19
Farmland	8,958	15
1-4 Family Residential	5,615	10
Home Equity	884	2
Construction	825	1
Agricultural Loans	15,579	26
Commercial Loans	9,777	17
Consumer Loans	5,908	10
Total	58,910	100

Source: Uniform Bank Performance Report, September 30, 2002

The prior Community Reinvestment Act Performance Evaluation was dated May 4, 1998, with a “Satisfactory” rating.

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

#### **DESCRIPTION OF THE FIRST NATIONAL BANK OF LEWISTOWN’S ASSESSMENT AREA:**

FNBL’s assessment area (AA) includes sixteen block-numbering areas (BNAs) in Judith Basin, Fergus, Garfield, Golden Valley, Petroleum and Wheatland counties in central Montana. Five of the BNA’s are designated moderate-income and the remaining are classified as middle-income. The assessment area follows natural geographic boundaries and is approximately 220 miles wide and 120 miles long. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The 1990 Census demographics list the median housing cost for the AA at \$35,330. However, a 2000 realtor study indicated the average home price had increased to \$67,095. It also shows that 55 percent of the 7,476 housing units are owner occupied, and 24 percent are vacant. The AA population is 19,631.

For 2002, the US Department of Housing and Urban Development (HUD) estimates the non-metropolitan, median family income (MFI) for Montana was \$39,600. Table 2 provides information on how each income level is defined based on the non-MSA MFI. Also included in the table is the percent of families within each income level according to the 1990 Census data for FNBL’s Assessment Area.

<b>Table 2</b> <b>1990 CENSUS DATA</b>			
<b>Income Level</b>	<b>Percent of MFI</b>	<b>Income Range</b>	<b>Families</b>

			<b>Number</b>	<b>Percent</b>
Low-Income	Less than 50%	< \$19,800	1,132	21.3%
Moderate-Income	At least 50% and less than 80%	\$19,800 - \$31,680	1,167	22.0%
Middle-Income	At least 80% and less than 120%	\$31,681 - \$47,520	1,272	23.9%
Upper-Income	120% and over	>\$47,521	1,742	32.8%

*Source: U.S. Census Bureau, 1990 Census Data*

The assessment area's economy is largely dependent on agriculture. Cow/calf operations and small grain farming are prominent. The AA's largest industries, based on total number of employees for 2002, include: services (38 percent), agriculture (21 percent), and retail trade (13 percent). The major employers are Allied Steel, HCR, High Heat, and the Bureau of Land Management. Financial institutions operating in the assessment area include Basin State Bank, Western Security Bank, a regional bank branch, and Fergus County Credit Union.

The financial services sector is competitive. The June 30, 2002, FDIC Deposits Market Share Report shows three financial institutions competed for \$249.8 million of insured deposits. FNBL has 27 percent of total FDIC insured deposits within the AA and Basin State Bank has 24 percent. Excluded in this report is data from a credit union headquartered inside the AA.

We interviewed two individuals from the local community to determine what credit opportunities exist for local financial institutions. They indicated the primary community credit needs were general banking products for consumers and agricultural producers. Both contacts indicated that housing needs are being met. One contact noted FNBL's active support in first time home buyer programs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation of the bank's lending performance is based upon the review of loans originated in 2002. The tables included in this section use cumulative data. We randomly selected twenty loans from each of the following three loan categories: commercial, agricultural and consumer auto loans. We selected our sample from bank generated reports, after verifying their accuracy.

We focused on the bank's primary loan types: commercial, agriculture and consumer vehicle loans. Bank management actively participates in loan programs offered by the Small Business Association (SBA), Farm Service Agency (FSA), Rural Development, and the Federal Home Loan Bank. Included in the guarantee programs are first time homebuyer loans. Bank management participates with the City of Lewistown in the First Time Home Buyer Project and educating consumers through homebuyer education classes.

The number and dollar amount of loan originations made in 2002 are presented by loan type in the tables below. As of the review date, the bank has booked FSA guarantee loans for \$1,277,766, SBA loans for \$1,378,513, and USDA Rural Development loans for \$1,278,975.

<b>Table 3 Loan Originations 2002</b>		
<b>Loan Type</b>	<b>Dollar Amount</b>	<b>Number</b>
Agriculture	\$36,200,382	405
Commercial	\$12,393,765	201
Consumer	\$7,982,594	275
Total	\$56,576,741	881
<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
Agriculture	64%	46%
Commercial	22%	23%
Consumer	14%	31%
Total	100%	100%

### **Lending in Assessment Area**

FNBL originates a majority of its loans within the assessment area. Specifically, 97 percent of the number and 98 percent of the dollar volume of all loans originated during the review period were made within the bank's assessment area. We calculated the percentage of loans within the AA from our loan sample. The following table shows the distribution of loans by number and dollar amount.

<b>Table 4 - Lending in FNB Lewistown's Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Agriculture	20	100	0	0	20	1,673,797	100	0	0	1,673,797
Commercial	19	95	1	5	20	1,281,567	98	25,108	2	1,306,675
Consumer – Auto	19	95	1	5	20	262,184	90	28,508	10	290,692
Totals	58		2		60	3,217,548		53,616		3,271,164

*Source: Loan sample selected from bank-generated reports*

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

The bank's distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels and businesses and farms of different sizes. The portion of loans originated to moderate-income people is reasonable based on their corresponding percent of the AA population.

### **Borrowers of Different Incomes**

Borrower Income Level	Distribution by Number		Distribution by Dollar Volume (000s)		Percent of Families in AA by Income Category
	Number	Percent	Dollar	Percent	
Low-Income <19,800	2	10%	\$10,723	4%	21.31%
Moderate-Income 19,801 - <31,680	3	15%	\$54,974	20%	21.96%
Middle-Income 31,681 - <47,520	3	15%	\$54,056	20%	23.94%
Upper-Income >47,521	12	60%	\$156,471	56%	32.79%
Total	20	100.00%	\$276,224	100.00%	100.00%

Source: Loan sample and 1990 Census data

### Businesses of Different Sizes

The First National Bank of Lewistown has demonstrated good performance in lending to small businesses. The bank participates in the Small Business Administration loan program. Based on demographic data obtained from 1990 Census data, 75 percent of the assessment area businesses have sales less than \$1 million.

Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	76	4
% of Bank Loans in AA by #	95	
% of Bank Loans in AA by \$	98	

Source: Loan sample; Dunn and Bradstreet data. \* 20% of AA businesses did not report revenue data

FNBL originated 95 percent by number and 81 percent by dollar of commercial loans to small businesses. In addition, the bank originated 90 percent of their small business loans to businesses with revenues less than \$500 thousand. The table below depicts the distribution of the originated commercial loans.

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	7	35	446,400	35
\$100,001 - \$250,000	6	30	158,713	12
\$250,001 - \$500,000	5	25	301,307	24
\$500,001 - \$1,000,000	1	5	125,107	10
Over \$1,000,000	1	5	250,000	19

The bank has achieved a strong distribution of loans among farms of different sizes. The bank's participation in various programs offered by the Farm Service Agency assists bank management in making small farm loans. Based on demographic data obtained from 1990 Census reports, 88 percent of the area farms have revenues less than \$1 million.

<b>Table 6C - Borrower Distribution of Loans to Farms in FNBL's AA</b>		
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms*	96	4
% of Bank Loans in AA by #	100	
% of Bank Loans in AA by \$	100	

*Source: Loan sample; Dunn and Bradstreet data.*

FNBL originated 100 percent of the loans by dollar volume and 100 percent by number to small farms. The bank originated 85 percent of their agricultural loans to farms with gross annual revenues of \$250 thousand and under. The following table depicts the distribution of the originated agricultural loans based on the farm's revenue size.

<b>Table 6D - Borrower Distribution of Loans to Farms by Revenue Size in FNBL's AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	6	30	360,896	22
\$100,001 - \$250,000	8	40	644,804	39
\$250,001 - \$500,000	3	15	340,500	20
Over \$500,000	3	15	327,597	19

*Source: Loan sample and 1990 Census data*

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

FNBL's loan-to-deposit ratio indicates a reasonable responsiveness to area credit needs. There are several financial institutions within the bank's assessment area. These banks are similarly situated to FNBL in size and business focus. We averaged each bank's loan-to-deposit ratio for the last thirteen quarters for comparison. During these thirteen quarters, FNBL's loan-to-deposit ratio went from 66 percent on December 31, 1999, to 88 percent on March 30, 2002, with an average loan-to deposit ratio of 76 percent. The thirteen-quarter average loan-to-deposit ratio for the five similarly situated banks was 74 percent.

### **Geographic Distribution of Loans**

FNBL's geographic distribution of loans is reasonable based on the bank's assessment area and other financial institutions servicing the area. FNBL's minimal penetration of moderate-income BNA's is mitigated by two factors: (1) the moderate-income BNA's are located in the outer circle of the bank's assessment area and are a considerable distance from the bank, and (2) borrowers in the moderate-income BNA's have more convenient access to other financial institutions. The distribution of credit originations (number of loans) is displayed below.



<b>Table 7A - Geographic Distribution of Loans to Farms in FNBL's AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms
Agriculture	0	0	50	6.6	50	19.3	0	0

*Source: Loan sample and 1990 Census data*

<b>Table 7B - Geographic Distribution of Loans to Businesses in FNBL's AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses
Commercial	0	0	10	15.51	90	58.62	0	0

*Source: Loan sample and 1990 Census data*

<b>Table 7C - Geographic Distribution of Consumer Auto Loans in FNBL's AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families
Auto Loans	0	0	0	23.79	100	76.21	0	0

*Source: Loan sample and 1990 Census data*

## **Responses to Complaints**

The bank has not received any CRA-related complaints since the last examination.

## **Fair Lending Review**

An analysis of 2000, 2001, and 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with the CRA evaluation this year. The last comprehensive fair lending exam was performed in 1998.

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the examination.