



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 16, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Citizens Bank, N.A.
Charter Number 21259
Post Office Box 1728
Columbia Falls, Montana 59912**

**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 **First Citizens Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 16, 1997. 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.**”

- Loan-to-deposit ratio is reasonable and is comparable to similar banks.
- The majority of lending is within the assessment area.
- Distribution of lending reflects good penetration among individuals of different income levels and businesses of different sizes.
- Bank originated loans throughout the assessment area.

The following table indicates the performance level of **First Citizens Bank, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First Citizens Bank, N.A. 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 last examination.		

DESCRIPTION OF INSTITUTION:

First Citizens Bank, N.A. is a \$34 million community bank located in the Flathead Valley of northwestern Montana. The bank has one office located in Columbia Falls, Montana, and operates three automated teller machines (ATMs) in the community. One ATM is located in Columbia Falls, one is located south of Columbia Falls and the other ATM is in West Glacier. Citizens Development Company, a six-bank holding company based in Billings, Montana, is the majority owner of the bank. Remaining ownership is spread among several individuals.

The bank’s primary business focus is small business and consumer lending. From September 30, 1995 to March 31, 1997 based on the number of loans the bank originated, commercial loans comprised 42%, consumer 48%, and residential real estate 10%. Lending based on the dollar amount consisted of 72% for commercial, 7% consumer, and 21% for residential real estate. Loans represent 68% of the bank’s total assets. There are no financial or legal impediments that affect the bank’s ability to meet the credit needs of the assessment area.

The last Community Reinvestment Act Examination was performed May 19, 1995. The bank received a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s assessment area consists approximately of the northern half of Flathead County. The community is rural, and no part of the area is located in a Metropolitan Statistical Area (MSA). The area includes large portions of mountainous wilderness, including the majority of Glacier National Park. The area consists of two block numbering areas (BNAs). The following table shows the 1990 Census demographic data for the BNAs.

BNA	BNA Income as a % of Statewide Non-MSA Income (\$)	U.S. Census Income Designation	Population	Towns Included
0001	78.8%	Moderate	2,518	Coram, Hungry Horse, Martin City, West Glacier
0002	109.7%	Middle	7,713	Columbia Falls

The 1990 Non-MSA Median Family Income for Montana was \$27,349. The Department of Housing and Urban Development (HUD) estimated the 1997 Non-MSA Median Family Income for Montana to be \$36,100.

The local economy is tied to summer and winter tourism. Most area employers are either recreation or tourist businesses, or serve and support the local population. The bank’s assessment area borders the resort communities of Kalispell and Whitefish. Many Columbia Falls residents work in these areas. Area unemployment was 4% as of the 1990 U. S. Census. The Research and Analysis Bureau of the Montana Department of Labor and Industry published “Statistics in Brief” in January 1997. According to this publication, the unemployment rate is 7.7% for Flathead County.

Competition from other financial institutions is strong. Although there are only three financial institutions in the bank's assessment area, the nearby communities of Kalispell and Whitefish have 17 financial institutions. There are two credit unions and a Kalispell bank branch in the bank's assessment area.

Examiners reviewed the results of four community contacts performed by our office and the Federal Deposit Insurance Corporation from May 1995 through January 1997. The contacts include two economic development organizations, one county government and one trade association. The contacts stated that the financial institutions are meeting the credit needs of the assessment area through existing loan products. There is a need for affordable housing and rehabilitating housing that is in substandard condition. The resort nature of Flathead Valley has led to high land prices and a limited stock of housing that full-time residents can afford. Based on October 1995 Montana Community Profile, published by the Montana Department of Commerce, the statewide nonmetropolitan median housing cost was \$46,300. We contacted the Flathead Regional Development Office and determined the 1996 median housing cost for affordable housing for Flathead County was \$95,500 compared to \$100,000 for the Columbia Falls area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

First Citizens Bank has maintained a loan-to-deposit ratio over the past eight quarters ending December 31, 1996, that is consistent with banks of similar size and financial condition. The bank's average ratio was 71.92% compared to an average of 72.38% to 82.34% for three similarly situated community banks with assets of less than \$50 million that serve the communities of Kalispell and Whitefish.

Lending in the Assessment Area

The bank made the majority of its loans within its assessment area. Of the 62 loans that we reviewed, 54 (87%) were within the assessment area.

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

Overall distribution of lending to borrowers of different income levels and businesses of different sizes reflects good penetration.

Examiners reviewed a sample of the new loans originated from September 30, 1995 through March 31, 1997 to determine the distribution. To determine lending distribution among borrowers and businesses, we reviewed 23 commercial loans, 25 consumer loans and 6 residential real estate loans. The analysis included 12% of the commercial loan originations (based on number of loans), 12% of the consumer loans and 14% of the residential real estate loans.

Small businesses are characterized as those with gross annual revenues less than \$1 million.

Borrower income levels are: low-income 50% of HUD estimated median family income, moderate-income 50 to 80%, middle income 80 to 120% and upper-income is 120% and above.

The following tables illustrate First Citizens performance in lending to borrowers of different income levels and different size businesses:

Table 1 - Borrower Distribution Residential Loans

Income Designation of the Borrower	% of Families in the Assessment Area	# of Loans Based on Sample	% of Loans Based on Sample
Low	23%	2	33%
Moderate	16%	2	33%
Middle	22%	1	17%
Upper	39%	1	17%
Total	100%	6	100%

Table 2 - Borrower Distribution Consumer Loans

Income Designation of the Borrower	% of Families in the Assessment Area	# of Loans Based on Sample	% of Loans Based on Sample
Low	23%	3	12%
Moderate	16%	9	36%
Middle	22%	10	40%
Upper	39%	3	12%
Total	100%	25	100%

The bank made a significant portion of its loans to low- and moderate-income borrowers. Based on the combined totals for consumer and residential real estate lending, low-income borrowers received 16% of the loans, moderate and middle-income borrowers each received 36% of the loans, and loans to upper-income borrowers represented 12% of the loans.

Table 3 - Distribution among businesses of different sizes

Gross Annual Revenues	# of Loans Based on Sample	% of Loans Based on Sample
0 - \$100,000	4	17%
\$100,000 - \$250,000	4	17%
\$250,000 - \$500,000	6	26%
\$500,000 - \$1,000,000	6	26%
> \$1,000,000	3	14%
Total	23	100%

Small business loans comprise 86% of the bank’s originations. Bank performance shows reasonable distribution among businesses of different sizes. Recent statistics provided by Dunn and Bradstreet indicate 77% of the area businesses have revenues less than \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans shows reasonable dispersion throughout the bank’s assessment area. The distribution of loans corresponds to the income distribution of the BNAs. First Citizen’s lending is comparable to the 1990 Census characteristics of the assessment area. The bank serves two BNAs. BNA 0001 is moderate income and 25% of the assessment area population resides in this area. BNA 0002 is a middle income area with 75% of the population residing in this area.. We used the sample of loans that we described previously to evaluate the bank’s performance in lending within its assessment area.

The bank made 35% of its loans in BNA 0001 and 65% in BNA 0002. Our analysis showed that the bank originated 52% of the commercial loans and 20% of the consumer loans in BNA 001.

Records of Complaints and Compliance with Antidiscrimination Laws

There were no complaints about the bank’s CRA performance from the public. We did not find any violations of the substantive provisions of Antidiscrimination laws and regulations.

