



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Western Bank of Chinook, N.A.
Charter Number 13837**

**327 Indiana Street
Chinook, Montana 59523**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

<p>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.</p>

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 **Western Bank of Chinook, N.A.**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 2, 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.**”

Western Bank has maintained a loan-to-deposit ratio that is substantially higher compared to four of five similarly situated banks.

The bank's distribution of loans reflects satisfactory penetration among individuals of different income levels, and to businesses and farms of different sizes.

Western Bank originated a large percentage of loans within the bank's assessment area.

The geographic distribution of loans within the assessment area is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Western Bank of Chinook, 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	✓		
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of loans		✓	
Response to Complaints	Not Applicable. There were no complaints related to CRA since the last examination.		

DESCRIPTION OF INSTITUTION:

The Western Bank of Chinook, N.A., (Western Bank) is a community bank located in north-central Montana. On December 31, 1997, the bank had assets of \$27 million, with \$22 million in loans. The bank is 84.44 percent owned by Citizens Development Company, a six-bank holding company.

Western Bank focuses on agriculture-related lending. Agriculture loans comprised 71 percent of loans originated from January 1, 1997, through February 1998. Other significant lending areas include commercial, consumer, and leases. These loans comprised 10 percent, 8 percent, and 7 percent of originations, respectively, over the same time period.

DESCRIPTION OF WESTERN BANK'S ASSESSMENT AREA:

Western Bank's assessment area consists of three block numbering areas (BNA), which encompass all of Blaine County. Two BNAs are designated as moderate income and one is designated middle income. Native Americans comprise 63 percent of the population of the two moderate-income BNAs. Chinook is the county seat for Blaine County. The population of the assessment area (AA) is 6,728 based on 1990 census data. The majority of the population is centered in the city of Chinook.

The demographic makeup of the whole county is 60 percent White, 39 percent American Indian, and 1 percent Hispanic. Part of Blaine county is comprised of the Fort Belknap Indian Reservation. The 1990 U.S. Census data updated annually by HUD shows non-MSA median 1997 family income for Montana is \$36,100.

The economic base of the assessment area is stable. The major industry is agriculture. Other industries include wholesale services and county government. The 1997 median housing value is \$40,496. Competition within the assessment area includes one credit union, branches of Norwest Bank, and Rocky Mountain Bank.

The community contacts interviewed during this examination included the Rural Development Office that includes Blaine County, and another government agency that services Native Americans. Both interviewees indicated the primary credit needs of the community were being met by the local financial institutions and the Bureau of Indian Affairs. Both contacts indicated that housing loans were difficult to obtain for Native Americans due to the tribal ownership of property. This issue is in the process of being resolved. Both contacts indicated unemployment was extremely high on the reservation and the whole county had been negatively impacted by agriculture problems in prior years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Western Bank has maintained a loan-to-deposit ratio that is substantially higher compared to four of five similarly situated banks. Western Bank's average loan-to-deposit ratio for the eight quarters ending December 31, 1997, is 83 percent and has steadily increased in 1997. The similarly situated banks had average loan-to-deposit ratios of 87, 73, 71, 70, and 58 percent for the same time period.

Lending in the Assessment Area

Western Bank originated a large percentage of loans within the AA. Based on our sample of 65 loans, approximately 88 percent of the bank's loans made during the past 14 months went to borrowers within the AA. We made this determination by reviewing a customized report. This report listed originations by loan product type from January 1, 1997, through February 1998. We then sampled agriculture, commercial, real estate and consumer loans and correlated the information to the AA.

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

The bank's distribution of loans reflects satisfactory penetration among individuals of different income levels, and to businesses and farms of different sizes.

The following table shows that approximately 52 percent of the families in the AA are low or moderate income. Our sample included 20 general installment loans and 20 residential real estate loans. In our sample, 17 general installment loans were originated in the AA. Only 10 had income information available. Seventeen of the residential real estate loans originated in the AA. Only 14 had income information available. The bank originated 50 percent of their loans to low- and moderate-income families. This statistic is based on those loans with available income information. The bank is situated in the middle-income tract. Based on our sample and the AA demographics, the lending penetration is reasonable.

Income Category (1995 Annual Income)*	Families in Assessment Area (percent)	Bank Loans to Families by Income Category (percent)
Low- Less than 50% of median family income. (<\$18,050)	30	25
Moderate - 50-80% of median family income. (\$18,051 - \$28,880/yr)	22	25
Middle - 80-120% of median family income. (\$28,881 - \$43,320/yr)	20	38
Upper - Greater than 120% of median family income. (>\$43,321/yr.)	28	12
Total	100	100

* Annual income = 1990 Census median family income of MSA adjusted to 1997 family income estimates by Housing and Urban Development, U.S. Government.

We also reviewed a sample of 10 business-purpose loans and 15 agricultural-purpose loans. We used the sample to assess the distribution of loans to small farms and businesses based on annual revenues. The CRA defines small farms to be those with less than \$500,000 in annual gross revenue. Small businesses are those with less than \$1 million in annual gross revenue. In our sample, one business loan and one agriculture loan originated outside of the AA. The following chart illustrates the distribution of loans sampled. All loans in the sample were made to small businesses and small farms.

Gross Revenue (000's)	Business loans (percent)	Agricultural loans (percent)
\$0 - 100,000	56	43
\$100,000 - 250,000	33	14
\$250,000 - 500,000	11	43
\$500,000 - 1,000,000	0	0
>\$1,000,000	0	0
Total	100	100

Geographic Distribution of Loans

The geographic distribution of loans within the AA is reasonable. Western Bank originated 21 percent of their loans in the moderate-income BNAs. The population of this area represents 58 percent of the AA. There are several factors contributing to a low number of loans versus the population of the moderate-income BNAs. Native Americans comprise 63 percent of the two moderate-income BNAs. There are several specialized lending groups that target Native Americans. These groups include the Bureau of Indian Affairs, Bearpaw Development, and the Small Business Development Division of Fort Belknap College. These groups provide various types of business, real estate, and agriculture loans combined with some grants. These lending sources provide very favorable financing terms to the Native American population. Additionally, competition also exists from banks in the nearby towns of Malta and Harlem. These towns are geographically located nearer to the population bases within those two moderate-income BNAs than Western Bank.

Record of Complaints and Compliance with Antidiscrimination Laws

There were no complaints about the bank's CRA performance from the public since the previous examination. We did not find any violations of antidiscrimination laws and regulations.