



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Fairfield
Charter Number 11307**

**321 Central
Fairfield, Montana 59436**

**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 Fairfield** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 15, 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.”**

We assign this rating based on the following factors:

- The ratio of bank deposits to loans is reasonable.
- A majority of the bank’s loans and lending related activities are within its assessment area.
- The bank’s lending activity shows good distribution among borrowers of different income levels and businesses of different sizes.

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

	The First National Bank of Fairfield 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	Not Applicable. All tracts in assessment area are designated middle income.		
Response to Complaints	Not Applicable. No complaints related to CRA since the last examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of Fairfield (FNB) is a community bank in north central Montana. As of March 31, 1997, the bank had \$41 million in assets and \$22 million in loans. FNB is a wholly-owned subsidiary of holding company Teton Bancshares, Inc. The holding company also owns Citizens State Bank of Choteau, a small community bank 17 miles northwest of Fairfield.

FNB's business focus is commercial, agriculture, general consumer, and consumer auto loans. These loans make up 31 percent, 20 percent, 16 percent, and 15 percent of the dollar volume of loans originated between January 1, 1996, and March 31, 1997.

DESCRIPTION OF THE FIRST NATIONAL BANK OF FAIRFIELD'S ASSESSMENT AREA:

The bank's assessment area includes two block numbering areas (BNA) and two adjoining census tracts in the Great Falls, Montana, Metropolitan Statistical Area (MSA). The two census tracts in the MSA are semi-rural areas of small housing tracts interspersed with farmland. The assessment area population is 11,065 and is evenly split between the census tracts and the BNAs. The median family income for all tracts/BNAs in the assessment area is classified "middle" income according to 1990 census data. The bank opened a branch office in Vaughn, Montana, in April 1996.

The economic base of the assessment area is stable. Primary industries include irrigated small grain production, a regional telephone cooperative, and a rural electric cooperative. The median housing value is \$50,750. Lenders in the assessment area include Citizens State Bank of Choteau (affiliated bank) and a credit union in Fairfield. Several Great Falls banks also solicit agricultural, commercial, and consumer loans in the assessment area.

We contacted two individuals knowledgeable of the local community to determine what credit opportunities there are for banks in the community. One individual stated that the community needs more government programs targeting low-income persons. The other indicated that local financial institutions already offer sufficient services for the community. Neither individual was aware of any complaints about the lending performance of local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

FNB has a loan-to-deposit ratio that is comparable to that of similarly situated banks in the geographic area. FNB's average loan-to-deposit ratio (expressed as a percentage) for the eight quarters ending December 31, 1996, is 60 percent. Similarly situated banks in the area have percentages of 49, 50, 55, 60, 68, and 75. FNB neither sells nor purchases a significant amount of loan participations that would impact the loan-to-deposit ratio.

FNB participates in government guaranteed loan programs with the Farm Services Agency (FSA) and the Small Business Administration (SBA). Since January 1996, one SBA guaranteed loan was originated and there were no new FSA guaranteed loans. Bank management actively participates in attracting vital services for the community. Currently, they are working with community leaders in Fairfield to help a local physician's assistant purchase office space. In Choteau, the bank is helping local residents obtain grant funding and financing for sewer and water line replacement.

Lending in the Assessment Area (AA)

FNB originated a reasonable percentage of loans within the bank's AA. About 76 percent of the money lent by the bank during the 15 months ending March 31, 1997, was to borrowers within the AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNB's loan originations reflect a reasonable distribution of loans to borrowers with different income levels and to businesses of different sizes.

We recorded gross income information for 31 borrowers to determine FNB's record of lending to borrowers of various income levels. The following table illustrates that FNB loan originations to low- and moderate-income individuals exceeds the corresponding percentage of the assessment area population.

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. (<\$17,775/yr)	20	26
Moderate- 50-80% of median family income. (\$17,776-\$28,440/yr.)	16	23
Middle- 80-120% of median family income. (\$28,441-\$42,660/yr.)	25	32
Upper- Greater than 120% of med. family inc. (>\$42,661/yr.)	39	19
Total	100	100

* Annual income = 1990 Census median family income of MSA adjusted to 1995 family income estimates by Housing and Urban Development, U.S. Government.

We recorded the gross income of a random sample of 11 business-purpose loans and 12 farm loans to determine FNB's record of lending to small farms and small businesses. The CRA regulation 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. The 1990 census data shows that 75 percent of the 342 nonfarm businesses in the assessment area were small businesses. As shown in the following table, 82 percent of FNB's business loans were to small businesses. All of FNB's agricultural-purpose loans in our sample were to small farms.

Gross Revenue (000's)	Business loans (percent)	Agricultural loans (percent)
\$0-99	46	33
\$100-249	18	8
\$250-499	9	59
\$500-999	9	0
>\$1,000	18	0
Total	100	100

Other Information

The bank has not received any written complaints regarding its CRA performance since the last examination. We found no violations of antidiscrimination laws and regulations.