

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 the 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 CRA performance of First Citizens Bank of Butte, Butte, Montana, prepared by the Federal Reserve Bank of Minneapolis, the institution's supervisory agency, as of May 13, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The bank's satisfactory rating is based on several factors. First, the bank has maintained a solid loan-to-deposit ratio since the previous evaluation. Second, the bank has a substantial majority of its small business, consumer real estate, and consumer loans in its assessment area. Third, the bank's lending to borrowers of different income levels and to businesses of different sizes follows the income patterns of the assessment area. Finally, the bank actively lends in all 12 of the block numbering areas ("BNA") in the assessment area. A sizable portion of the bank's loans are to borrowers and small businesses located in the one moderate-income BNA within the assessment area.

The following table indicates the performance level of First Citizens Bank of Butte, Butte, Montana, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First Citizens Bank of Butte 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 were received since the previous evaluation.		

DESCRIPTION OF INSTITUTION

Based on its size and financial condition, the bank is able to meet the credit needs of the communities in the assessment area. The bank's only office is in Butte, Montana. It has three cash-only automated teller machines ("ATM") located throughout Butte. All of these ATMs are in the bank's assessment area. The bank's CRA performance was rated satisfactory at its previous evaluation.

According to its March 31, 1996, Report of Condition ("ROC"), the bank had total assets of \$33.1 million, including a \$20.6 million loan portfolio. Total deposits as of March 31, 1996, were \$29 million. The bank's total assets, net loans, and total deposits have increased since the previous evaluation. Based on the March 31, 1995, ROC, total assets were at \$27.9 million, net loans were at \$16 million, and total deposits were at \$25 million. Bank management attributes the growth in assets, loans, and deposits to continued population growth in the assessment area and individuals moving their accounts from the larger financial institutions in Butte. According to the March 31, 1996, ROC, the bank's loan portfolio is approximately 47% commercial, 24% consumer real estate, 15% commercial real estate, 11% consumer, and 3% agricultural.

The bank offers many types of loan and deposit products that serve assessment area credit needs. The loan products include commercial, commercial real estate, and general consumer loans. In addition, the bank refers consumer real estate loan applicants to a local mortgage company. The service hours of the main office are sufficient to meet the deposit and credit needs of the assessment area.

DESCRIPTION OF THE ASSESSMENT AREA FOR FIRST CITIZENS BANK OF BUTTE, BUTTE, MONTANA

The bank's assessment area consists of 12 BNAs and covers an increasingly populated two-county area. The bank's assessment area includes Jefferson and Silver Bow counties. Both counties are in central Montana, approximately 80 miles west of Bozeman, Montana. Jefferson County is divided into two BNAs (9822 and 9823). Silver Bow County is divided into BNAs 1 through 10. Butte, located in Silver Bow County, is the largest city in the assessment area. According to the 1990 census data, the assessment area has a total population of 41,880 and 16,658 total households.

Six of the assessment area BNAs are categorized as upper income, five are categorized as middle income, and the remaining BNA is categorized as moderate income. The moderate income BNA is located in the "uptown" area of Butte. According to the 1990 census data, this BNA has a total population of 5,356, which represents approximately 13% of the total assessment area population. The middle- and upper-income BNAs represent 42% and 45% of the assessment area's population, respectively. Of the 16,658 total households in the assessment area, approximately 25% are low income, 16% are moderate income, 16% are middle income, and 43% are upper income. According to the 1990 census, the median household income for the assessment area is \$22,766 and the median family income is \$30,952. In addition, the median family income for nonmetropolitan areas in Montana is \$27,352 as of the 1990 census.

CRA divides income into four categories: low, moderate, middle, and upper. Because the bank's assessment area is not in a metropolitan statistical area, the categorization of a borrower or geography's income is determined relative to the statewide nonmetropolitan median family income. Low-income individuals have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income individuals have incomes of at least 50% but

less than 80% of this amount. The regulation defines a middle-income individual as one with an income of at least 80% but less than 120% of the statewide nonmetropolitan median family income. An individual with an income that is 120% of the statewide nonmetropolitan median family income is considered upper income. BNAs and census tracts are classified using similar categories based on the level of the median family income in the geography.

The assessment area's primary economic base is small businesses located in Butte. At one time, the town was heavily dependent on various mining companies for employment and revenues. Prior to 1990, mining employment was reduced as various mines closed their operations. However, since 1990, bank staff and government contacts indicate that Butte has been experiencing population growth. This is due to a number of high technology jobs moving into the area and residents relocating from western states.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank has done a satisfactory job of meeting the credit needs in its assessment area. The criteria detailed below were reviewed in determining this rating.

Loan-to-Deposit Ratio Analysis

The bank's lending in its assessment area meets the standards for satisfactory performance. The quarterly average of the bank's loan-to-deposit ratio since the previous evaluation is 65%. The chart below, based on quarterly ROC data, reflects that the loan-to-deposit ratio has been consistently more than 60% since the last evaluation.

Date	Total Assets (In thousands)	Net Loans (In thousands)	Total Deposits (In thousands)	Loan-to-Deposit Ratio
March 31, 1996	\$33,133	\$20,945	\$29,048	72%
December 31, 1995	\$33,491	\$19,274	\$29,600	65%
September 30, 1995	\$32,286	\$17,491	\$28,201	62%
June 30, 1995	\$30,933	\$17,304	\$27,839	62%
March 31, 1995	\$27,887	\$16,042	\$25,037	64%

The bank's total assets, net loans, and overall deposits have been increasing since the previous evaluation. The bank attributes this growth to an increase in the population and customers shifting their accounts from the competing financial institutions in Butte. There are approximately five competing banks in Butte. However, all but one of these banks are branches of larger financial institutions whose main operations are based in different cities. The remaining financial institution in Butte began operations in 1995. Therefore, comparing the subject bank's loan-to-deposit ratio to the various competitors does not benefit the analysis.

Community contacts did not identify any unmet credit needs in Butte. The bank's loan-to-deposit ratio meets the standards for satisfactory performance because its lending performance continues to be reasonable.

Lending in the Assessment Area

The bank's lending in its assessment area exceeds the standards for satisfactory performance. A review of a statistical sample of bank loans originated in the past six months reveals that a substantial majority of them

were made inside the assessment area. Examiners reviewed the bank's three major loan product categories (small business, consumer real estate, and consumer loans) by analyzing the number and dollar amount of new loans originated inside and outside the assessment area. The following table shows the percentage of the total number and dollar volume of reviewed loans that were inside the assessment area.

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA		
Major Loan Product Lines	Total Number of Loans	Total Amount of Loans
Small Business	84	81
Consumer	80	67
Consumer Real Estate	83	75

The numbers in the table indicate that the bank lends mostly to residents of its assessment area. As such, the bank's level of lending in its assessment area exceeds the standards for satisfactory performance.

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

The bank's lending to borrowers of different incomes and to businesses of different sizes is reasonable and, thus, meets the standards for satisfactory performance. As mentioned, the income level for consumer loans is determined based on the nonmetropolitan median family income for the state in which the consumer resides. The bank's distribution of loans across its assessment area by income level is illustrated in the following table.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL*				
	Low Income	Moderate Income	Middle Income	Upper Income
Consumer:				
Percentage of Total Loans	30	14	22	33
Percentage of Total Loan Amounts	20	12	13	54
Consumer Real Estate:				
Percentage of Total Loans	8	15	40	38
Percentage of Total Loan Amounts	2	13	44	41

*Income level is determined based on Montana's 1995 nonmetropolitan median family income of \$32,200.

The data in the table indicates that the bank originated 44% of its consumer loans to low- and moderate-income individuals. However, the bank made only 32% of the total dollar amount of consumer loans to these borrowers. These percentages closely approximate the percentage of low- and moderate-income individuals who live in the assessment area. As previously mentioned, approximately 41% of the assessment area's households have low and moderate incomes.

The bank made fewer consumer real estate than consumer loans to low- and moderate-income individuals. These percentages are below the percentage of low- and moderate-income individuals who live in the assessment area. The bank refers most of its consumer real estate applicants to a local mortgage company. Bank customers who are denied credit by the mortgage company will be reviewed by the bank. If the bank approves these applicants, it will book the credit to allow the borrower time to correct any deficiencies that caused the original denial by the mortgage company.

The bank provides a sizeable portion of its commercial loans to small businesses with gross annual revenues of less than \$1 million. Specifically, 79% of the loans sampled were to small businesses with gross annual revenues of less than \$1 million. Approximately 87% of the bank's sampled small business loans had loan amounts equal to or less than \$100,000. Another 8% of these loans had amounts greater than \$100,000 but less than or equal to \$250,000. The remaining 6% of these loans had amounts greater than \$250,000 but less than or equal to \$1 million. Based on the small business economic conditions in Butte and the city's growing population, the percentage of lending to small businesses generating revenues of more than \$1 million is reasonable. In general, the bank's level of lending to low- and moderate-income individuals and small businesses is reasonable and, thus, meets the standards for satisfactory performance.

Geographic Distribution of Loans

The bank's loans are well distributed throughout its assessment area and, thus, meet the standards for satisfactory performance. As mentioned, the bank's assessment area includes one BNA that is classified as moderate income.

The table below reflects the bank's loan penetration in the moderate-, middle-, and upper-income BNAs in its assessment area.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BNA INCOME LEVEL			
Loan Type	Moderate-Income BNA (%)	Middle-Income BNA (%)	Upper-Income BNA (%)
Small Business:			
Total Number of Loans	39	31	30
Total Dollar Amount of Loans	37	20	43
Consumer:			
Total Number of Loans	9	49	42
Total Dollar Amount of Loans	12	33	55
Consumer Real Estate:			
Total Number of Loans	13	60	28
Total Dollar Amount of Loans	12	63	25

As mentioned, 13% of the assessment area's population resides in the one moderate-income BNA. In addition, small business loans are 47% of the bank's loan portfolio, followed by consumer real estate, and consumer loans.

The table indicates that the bank has originated more than one-third of its small business loans in this one moderate-income BNA. This is particularly commendable because only 13% of the population resides in this BNA. However, the number and dollar volume of consumer real estate and consumer loans closely approximate the population percentages for this BNA. As such, the bank's geographic distribution of loans is reasonable and, thus, meets the standards for satisfactory performance.

General

The evaluation did not reveal any violations of the substantive provisions of the fair housing and fair lending laws and regulations. However, the evaluation did reveal a violation of the technical aspects of the Equal Credit Opportunity Act's Regulation B. Bank management agreed to correct this violation. In addition, the bank has not received any CRA complaints since the previous evaluation.

PUBLIC DISCLOSURE

May 13, 1996
Date of Evaluation

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Citizens Bank of Butte
Name of Depository Institution

093001850000
Identification Number of Institution

Butte, Montana
Address of Institution

Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis, Minnesota 55401-2171

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.