

LARGE BANK EXAMINATION

PUBLIC DISCLOSURE

Evaluation Period - Fiscal Years 1995 and 1996
(Issue Date - April 28, 1998)

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First Bank Montana, N.A.
Charter Number 12407
511 Central Avenue West
Billings, Montana 59115**

**Supervisory Agency: Office of the Comptroller of the Currency
Large Bank Supervision
250 E Street SW
Washington, D. C. 20219-001**

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.

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GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a metropolitan statistical area. A rural assessment area may contain one or more neighboring counties.

Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community development loan - A loan which must have as its *primary* purpose community development.

Community development purpose is defined as affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that meet size and revenue standards defined by the CRA regulation; and, activities that revitalize or stabilize low- and moderate-income geographies. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses or farms, except for multi-family rental housing loans, which can be reported under both categories.

Community development service - A service that must have community development as its *primary* purpose and be related to the provisions of financial services.

Geography - CT or Block Numbering Area (BNA) as defined by the United States Census Bureau. BNAs are typically non-metropolitan areas with a statistical representation of people, housing, geographical areas or other measurable factors with regard to size, density, distribution, or other measurable characteristics. Throughout this Evaluation, we used CT to represent either a CT or BNA.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.)*

Income Levels - These relate to individuals, families or the income level of a CT or BNA.

- C **Low** = An income level that is less than 50% of the median income;
- C **Moderate** = An income level that is at least 50% and less than 80% of the median income;
- C **LMI** = An income level that is less than 80% of the median income;
- C **Middle** = An income level that is at least 80% and less than 120% of the median income; and
- C **Upper** = An income level that is 120% or more of the median income.

M - M is used throughout the PE to reference dollars in thousands (Example: \$400,000 or \$400M).

Median Family Income - The median family income for a specific MSA or non-MSA area as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS (Continued)

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Qualified investment - A lawful investment that has as its *primary* purpose community development.

Small Business or Small Farm - A business or farm that has \$1,000,000 or less in gross annual revenues.

Small Loan to a Business or Farm - A loan of \$1,000,000 or less to a business of any size or a loan of \$500,000 or less to a farm of any size.

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 CRA performance of **First Bank Montana, N.A., Billings, Montana (FBM)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency. The agency evaluates performance in AA(s), as they are delineated by the institution, rather than individual branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to CFR Part 25.

Institution's CRA Rating: This institution is rated **"Satisfactory Record of Meeting Community Credit Needs."** CRA ratings were determined by considering lending, investment, and service activity in relationship to bank's presence within each AA. When consolidating AA conclusions into the state rating, communities with a large banking presence received more weight than those with a small banking presence.

The following table indicates the performance level of FBM with respect to the lending, investment and service tests.

<i>First Bank Montana, N.A. Performance Tests</i>			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			x
Low Satisfactory	x		
Needs To Improve		x	
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Executive Summary

We rated FBM's CRA performance "Satisfactory" because:

- C Overall, FBM's lending activity in its Montana AAs shows good responsiveness to community credit needs. The distribution of loans to LMI people was good and in LMI geographies was adequate. The level of community development lending was low.**

FBM's distribution of consumer loans by income of the borrower was excellent in all three of the bank's markets. The bank's originations of small loans to businesses and farms in LMI geographies were comparable to the percentage of small businesses and small farms operating in LMI geographies. A significant proportion of FBM's small loans to businesses and farms were in amounts of less than \$100M, indicating the bank's responsiveness to smaller businesses and farms. Distribution of HMDA loans by geography was good, but improvement was needed by borrower income. Distribution of consumer loans by geography was adequate. All community development loans were made in the Billings MSA.

- C FBM needs to improve its investment performance.**

During 1995 and 1996, FBM invested \$397M in its Montana AAs. Most investments were made through the U.S. Bancorp Foundation (Foundation). The Foundation provides grants and in-kind contributions to organizations that meet the definition of community development.

- C FBM's provision of services shows good responsiveness to community development and banking needs.**

FBM delivery systems were readily accessible to essentially all portions of the Montana AAs. Banking hours and services are convenient and meet the needs of banking customers. FBM employees provide credit and home ownership counseling as well as financial management seminars. FBM also provides technical expertise to non-profit, profit, and tribal and government organizations serving LMI housing, small business, and economic needs. Performance was adequate in the Billings and Great Falls MSAs as well as in some outstate markets.

Description of the Examination Process

To ensure consistency in analysis throughout U.S. Bancorp subsidiaries, we used calendar years 1995 and 1996 when analyzing HMDA-reportable mortgage loan products, but we did not detail 1995 in this Evaluation. Although we analyzed home purchase, home improvement, refinance, and multifamily housing loans individually, we consolidated our analysis throughout this Evaluation. We evaluated and detailed 1995 and 1996 activities for community development consideration. The Evaluation includes only calendar year 1996 for small business and small farm loans because it was the first year such data was required to be collected and reported under the revised CRA regulation. At the bank's option, we included 1996 consumer lending activity in our analysis.

Lending, investment, and service activity of other banking and non-banking entities was also incorporated to show all U.S. Bancorp activity in FBM banking markets. Those entities include:

<i>First Bank Montana, N.A. Corporate Activities</i>	
Bank or Affiliate Name	Products Reviewed
First Bank Montana, N.A.	Real Estate, Small Business, Small Farm, Consumer and Community Development Lending
U.S. Bank National Association Bank Affiliate	Real Estate Lending
First Bank of South Dakota, (NA) Bank Affiliate	Real Estate, Small Business, Small Farm, Consumer and Community Development Lending
U.S. Bancorp Foundation Affiliate	Grants and Donations

Description of the Institution and Assessment Areas

FBM is wholly owned by Minneapolis-based U.S. Bancorp. As of December 31, 1996, FBM had total assets of \$1.2 billion and net loans and leases totaling \$979 million. Sixty percent of the loan and lease portfolio was comprised of real estate secured products, while 13% and 27% of the portfolio was comprised of commercial and consumer/other products, respectively. Lending is primarily funded through retail deposits. The bank and its affiliates provide a comprehensive array of banking, trust, and investment services to consumers and businesses.

As of December 31, 1996, FBM ranked third in deposit market share in the state of Montana. The main office is headquartered in Billings with 12 branches and 28 ATMs serving bank customers. The AAs included the Billings and Great Falls MSAs as well as the communities of Bozeman, Butte, Havre, Helena, Miles City, and Missoula.

Billings MSA

The Billings MSA is located in Yellowstone County and is home to the largest city in Montana. It is the retail and wholesale hub of eastern Montana and northern Wyoming with a diverse economic base including state and federal government, manufacturing, retail, agriculture, services, and a large medical center. The AA includes the northwestern portion of the Crow Indian Reservation.

Great Falls MSA

The MSA includes the city of Great Falls and is located in Cascade County. Great Falls is the second largest city in Montana and is located approximately 250 miles northwest of Billings on the east side of the Rocky Mountains. It serves as a regional health, trade, and agricultural center for northeastern Montana and parts of southern Canada. The Montana National Guard and Malmstrom Air Force Base are located in the Great Falls MSA.

Non-MSA AAs (Outstate AAs)

The Bozeman AA included nine of 12 BNAs located in Gallatin County. It included the city of Bozeman and the central portion of Gallatin County. Major industries include education, tourism, agriculture, and recreation. A growing service industry is driven by increased tourism. Major employers include the Montana State University as well as retail and government sectors.

The Butte AA included eight of ten CTs located in Silver Bow County. The AA included the northeastern and north central portions of the county. The city of Butte has experienced moderate growth with major industries including health care, transportation, tourism, education and manufacturing. Major employers include the Montana Power Company and St. James Hospital.

The Havre AA included all BNAs located in Hill County. Havre is 40 miles south of the Canadian border. The AA has an agricultural economy. After losing about 20% of its population due to railroad downsizing and the failure to build a large implement plant, the city is stabilizing with the development of an emerging small business sector. The Havre AA includes the majority of the Rocky Boy Indian Reservation.

The Helena AA included ten of 15 BNAs located in Lewis and Clark County. The AA included the BNAs surrounding the state capitol of Helena as well as the southern most portion of the county. Several retail chains have been located in Helena bringing additional growth to the city. Major industries are government, tourism, service, and retail. Major employers include the State of Montana, the federal government, and Blue Cross.

The Miles City AA included three of five BNAs located in Custer County. The AA included the BNAs surrounding and to the west of Miles City. This agricultural area is located about 130 miles northeast of Billings. Declining population has begun to stabilize with the development of a medical center and the influx of retired ranchers.

The Missoula AA included 18 of 19 CTs located in Missoula County. The CTs included the southern and western portions of the county. Missoula is located in western Montana and has experienced rapid growth since 1990. Major industries include health care, education, and government. Major employers include the Community Hospital St. Patrick's Hospital, University of Montana, and forest services. The Flathead Indian Reservation is adjacent to the Missoula AA.

In most cases, whole counties were not used by FBM when defining AAs because of the demography of the area and limited branching presence.

State and MSA demographics are detailed in the table below:

<i>First Bank Montana, N.A. Community Demographics</i>								
State or AA	Pop. (000s)	1990 Census Median Family Income	1996 HUD Median Family Income	Number of CTs/BNAs	Percent of LMI CTs/BNAs	Number of Owner Occupied Housing Units (000s)	Percentage of Owner Occupied Units in LMI CTs/BNAs	Percentage of Families Living in LMI CTs/BNAs
Montana	414	27,349	34,700	106	21%	103	11%	13%
Billings	113	31,533	41,800	27	22%	29	14%	15%
Great Falls	78	27,902	36,400	24	29%	19	14%	16%
Outstate Montana	223	27,349	34,700	55	16%	55	8%	11%

Source: Bureau of Census and Bank Prepared Data. Unless noted as a MSA, median family income represents statewide, non-MSA income levels. MSA median family incomes within each state are typically higher than numbers depicted in the above table.

Community Contacts

—

Prior to conducting an in-depth review of the bank's CRA performance, we reviewed 22 community contacts with organizations located throughout FBM's AAs. Contacts were made during the evaluation period by representatives from the OCC, the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision. Contacts ranged from local government offices to small community based organizations. Most common identified credit needs include loans for small business and affordable housing.

FAIR LENDING REVIEW

We did not identify any substantive violations of the anti-discrimination laws (Equal Credit Opportunity, Fair Housing, and Home Mortgage Disclosure Acts). We determined that similarly situated real estate applicants were treated equally, regardless of race or gender by reviewing purchase money and refinance real estate approvals and denials. We also determined that similarly situated indirect lending applicants were treated fairly, regardless of marital status or gender, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

- C Overall, FBM's lending activity in its Montana AAs shows good responsiveness to community credit needs. The distribution of loans to LMI people was good and in LMI geographies was adequate. The level of community development lending was low.**

During 1996, FBM originated 973 HMDA, 1,103 small loans to businesses and farms, and 7,443 consumer loans. During 1995, the bank made three community development loans. No community development loans were made 1996.

FBM's distribution of consumer loans by income of the borrower was excellent in all three of the bank's markets. The bank's originations of small loans to businesses and farms in LMI geographies were comparable to the percentage of small businesses and small farms operating in LMI geographies. A significant proportion of FBM's small loans to businesses and farms were in amounts of less than \$100M, indicating the bank's responsiveness to smaller businesses and farms. Distribution of HMDA loans by geography was good, but improvement was needed by borrower income. Distribution of consumer loans by geography was adequate. All community development loans were made in the Billings MSA.

Geographic Distribution

Within its Montana AAs, FBM’s distribution of HMDA loans by geography was good. The bank did not make an HMDA loans in low-income CTs in the Great Falls MSA or in outstate, but each of those AAs had only one low-income CT and limited owner-occupied housing units. Geographic distribution of HMDA loans in moderate-income CTs was good. The bank’s market share in LMI CTs was comparable with its total market share.

First Bank Montana, N.A. Distribution of HMDA Lending by Income Level of the Geography Lending Percentage of Bank Portfolio and Bank’s Market Share Percentage (Shaded Area Represents Market Share)									
State or AAs	Lending Volume					Geographies		Owner Occupied Units	
	Total # of Loans	Low Income %	Mod Income %	Middle Income %	Upper Income %	Low Income %	Mod Income %	Low Income %	Mod Income %
Montana	973	1%	8%	53%	38%	4%	17%	<1%	10%
Billings	223	4%	12%	53%	31%	7%	15%	2%	12%
Great Falls	178	0%	12%	66%	22%	4%	25%	<1%	14%
Outstate Montana	572	0%	6%	49%	45%	2%	14%	0%	8%
		N/A	N/A	N/A	N/A				

Note: Lending volume percentages will not always equal 100% because applicant income may not have been available or reported.

Source: Bank Prepared Data. Because the HMDA does not require all lending institutions to report real estate related lending, outstate Montana market share analysis is not an effective manner in which to measure lending performance. As a result, we inserted N/A in the outstate section of this table.

Overall, the percentage of small loans to businesses and farms in LMI CTs was good. The number of loans the bank originated in LMI CTs was at least equal to 90% of the percentage of small businesses and farms in LMI CT

<p align="center">First Bank Montana, N.A. Distribution of Small Business and Small Farm Lending by Income Level of the Geography</p>									
State or AA	Lending Volume					Income Level of the Geography		Small Business/Farm by Geography	
	Total # of Loans	Low Income %	Mod Income %	Middle Income %	Upper Income %	Low Income %	Mod Income %	Low Income %	Mod Income %
Montana	1,103	5%	22%	53%	20%	4%	17%	8%	20%
Billings	288	12%	17%	59%	12%	7%	15%	18%	17%
Great Falls	219	4%	22%	65%	9%	4%	25%	14%	27%
Outstate Montana	596	2%	25%	46%	27%	2%	14%	<1%	20%

Source: Bank Prepared Data

Overall, lending to consumers in low-income geographies was adequate, reaching at least 60% of the percentage of families in low-income CTs. However, improvement was needed for consumer lending in moderate-income CTs where lending volume represents less than 70% of the percentage of families living in those tracts.

<p align="center">First Bank Montana, N.A. Distribution of Consumer Lending by Income Level of the Families Within the Geography</p>							
State or AA	Lending Volume					Families Living in LMI Geographies	
	Total # of Loans	Low Income %	Moderate Income %	Middle Income %	Upper Income %	Low Income %	Moderate Income %
Montana	7,443	1%	8%	54%	37%	1%	12%
Billings	1,880	2%	10%	60%	28%	2%	13%
Great Falls	1,210	<1%	11%	73%	16%	<1%	16%

<p align="center">First Bank Montana, N.A. Distribution of Consumer Lending by Income Level of the Families Within the Geography</p>							
Outstate Montana	4,353	1%	6%	47%	46%	<1%	11%

Source: Bank Prepared Data

Borrower Distribution

The distribution of HMDA loans by borrower income was adequate in low-income CTs, equaling at least 60% of the percentage of families that were low-income. However, improvement was needed in lending distribution to moderate-income CTs where lending reached less than 70% of the percentage of moderate-income families. Improvement is also needed in HMDA market share to LMI borrowers where lending reached less than 70% of the overall market share.

When analyzing the bank’s lending performance to borrowers at different income levels, we made an adjustment to the percentage of low-income families. Because of their limited capacity to borrow, we excluded the percentage of families with incomes below the poverty level. Families excluded were those which had incomes of 30% or less of the median income.

<p align="center">First Bank Montana, N.A. Distribution of HMDA Lending by Income Level of the Applicant Lending Percentage of Bank Portfolio and Bank’s Market Share Percentage (Shaded Area Represents Market Share)</p>							
State or AA	Lending Volume					Family Income	
	Total # of Loans	Low Income %	Moderate Income %	Middle Income %	Upper Income %	Low * Income %	Moderate Income %
Montana	973	5%	11%	26%	57%	8%	17%
		4%	3%	2%	4%		
Billings	223	6%	14%	33%	46%	10%	18%
		5%	3%	3%	6%		

First Bank Montana, N.A.
Distribution of HMDA Lending by Income Level of the Applicant
Lending Percentage of Bank Portfolio and Bank's Market Share Percentage
(Shaded Area Represents Market Share)

Great Falls	178	6%	11%	21%	60%	7%	19%
	7%	6%	4%	5%	10%		
Outstate Montana	572	4%	10%	25%	61%	6%	15%
	N/A	N/A	N/A	N/A	N/A		

Source: Bank Prepared Data

Note: Lending volume percentages will not always equal 100% because applicant income may not have been available or reported.

* Adjusted for the percentages of families with incomes below the poverty level

Overall, the bank’s distribution of small loans to businesses and farms by loan size and annual revenues was good. The bank’s volume of small business and farm loan originations in amounts less than \$100M was significant at 80% of the total small loans to businesses and farms. Analysis of business lending by revenue size was hampered by the method used by FBM when evaluating creditworthiness of small business and farm borrowers. Because FBM relied heavily on other analytical tools in the credit evaluation process, revenues were not gathered or subsequently reported for some product lines. FBM did not use or report revenues for 48% of the small business and farm loans extended during 1996. Because revenues were lacking for such a significant percentage of the loans extended, we analyzed the distribution of those with reported revenues. That analysis showed the percentage of loans to businesses and farms with revenues less than \$1 million was higher than the percentage of loans to businesses and farms with revenues greater than \$1 million in all three AAs.

First Bank Montana, N.A.
Distribution of Small Business and Small Farm Lending
by Loan Size and Business Revenue

State or AA	Lending Volume and Loan Size				Annual Business or Farm Revenues			
	Total # of Loans	< \$100M %	\$100M to \$250M %	>\$250M to \$1000M %	Revenues < \$1Million		Revenues > \$1Million	
					% Bank Lending	Total % of Bus. & Farms	% Bank Lending	Total % of Bus. & Farms
Montana	1,103	80%	12%	8%	36%	74%	16%	9%
Billings	288	80%	13%	7%	34%	74%	19%	9%
Great Falls	219	75%	15%	10%	34%	74%	17%	8%
Outstate Montana	596	82%	10%	8%	37%	74%	14%	8%

Source: Bank Prepared Data

Overall, FBM’s distribution of consumer lending by the income level of the applicant was excellent. The bank’s percentage of loans to low-income borrowers was excellent, exceeding 90% of the percentage of low-income families. The bank’s percentage of loans to moderate-income borrowers was also excellent, exceeding 100% of the percentage of moderate-income families.

First Bank Montana, N.A.							
Distribution of Consumer Lending by Income Level of the Applicant							
State or AA	Lending Volume					Family Income	
	Total # of Loans	Low Income %	Moderate Income %	Middle Income %	Upper Income %	Low * Income %	Moderate Income %
Montana	7,443	19%	23%	28%	29%	8%	17%
Billings	1,880	22%	27%	26%	24%	10%	18%
Great Falls	1,210	22%	24%	27%	26%	7%	19%
Outstate Montana	4,353	17%	21%	29%	32%	6%	15%

Source: Bank Prepared Data

Note: Lending volume percentages will not always equal 100% because applicant income may not have been available or reported.

* Adjusted for the percentages of families with incomes below the poverty level

Community Development Lending

FBM’s level of community development lending was low. The bank made three community development loans during 1995. All three were made in the Billings AA. The loans were made for: refinancing multi-family housing serving primarily LMI individuals and families; providing funding to a non-profit organization to administer several programs targeted to LMI individuals; and to purchase and expand a medical center in a low-income CT.

First Bank Montana, N.A.		
1995 and 1996 Community Development Lending		
State or AA	Number of Loans	Dollar Volume of Loans (000s)
Montana	3	\$2,465
Billings	3	\$2,465
Great Falls	0	0

*First Bank Montana, N.A.
1995 and 1996 Community Development Lending*

Outstate Montana	0	0
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Data Source: Bank Records

Flexible Lending Programs

The bank participated in a rehabilitation loan program with the City of Billings. The program provided below-market home improvement loans to eligible low- and very low-income borrowers. The funds were used to supplement funding from Community Development Block Grants. The program began late in 1996. The bank made one loan for \$7,500 during the evaluation period.

Investment Test

C FBM needs to improve its investment performance.

During 1995 and 1996, FBM invested \$397M in its Montana AAs. Most investments were made through the U.S. Bancorp Foundation (Foundation). The Foundation provides grants and in-kind contributions to organizations that meet the definition of community development. The following is a list of the largest qualified investments made by FBM and the Foundation during the evaluation period:

- C United Way contributions made throughout the bank's AA totaled \$118M, most of which was provided to the Billings MSA.
- C Donations totaling \$99M provided financial support to business development incubators and corporations located in the Great Falls MSA and the cities of Missoula, Butte, Helena, Havre, and Miles City.
- C Donations totaling \$65M were made to neighborhood housing authorities or corporations located in the Great Falls MSA and the cities of Missoula, Miles City, Butte, Helena, and Havre.
- C An in-kind donation of \$100M was provided to Southwinds Estates located in the Great Falls MSA. Southwinds Estates is a 24 unit complex for mobility-impaired low-income residents. The U.S. Department of Housing and Urban Development will provide funding over the next 20 years to help subsidize rental payments.

Please refer to the following page for a more detailed listing of investment volume by AA.

<p align="center">First Bank Montana, N.A. Qualified Investments by MSA and Outstate Assessment Area</p>				
Outstate & MSA Name	1995 & 1996 Investment Dollar Volume (000s)	1995 & 1996 In-Kind (000s)	1995 & 1996 Grant/Donation Dollar Volume (000s)	Total Qualified Investments (000s)
Montana	0	100	297	397
Billings MSA	0	0	Donations 57 United Way 65	122
Great Falls MSA	0	Southwinds 100 Estates	Donations 44 United Way 13	157
Outstate Montana	0	0	Donations 78 United Way 40	118
* Bozeman	0	0	Donations 0 United Way 9	9
* Butte	0	0	Donations 13 United Way 8	21
* Havre	0	0	Donations 2 United Way 4	6
* Helena	0	0	Donations 11 United Way 5	16

<p style="text-align: center;">First Bank Montana, N.A. Qualified Investments by MSA and Outstate Assessment Area</p>				
Outstate & MSA Name	1995 & 1996 Investment Dollar Volume (000s)	1995 & 1996 In-Kind (000s)	1995 & 1996 Grant/Donation Dollar Volume (000s)	Total Qualified Investments (000s)
* Miles City	0	0	Donations 9 United Way 0	9
* Missoula	0	0	Donations 43 United Way 14	57

Source: Bank Prepared Data
 * Outstate AAs

Service Test

C FBM’s provision of services shows good responsiveness to community development and banking needs.

FBM delivery systems are readily accessible to essentially all portions of the Montana AAs. Banking hours and services are convenient and meet the needs of banking customers. FBM employees provide credit and home ownership counseling as well as financial management seminars. FBM also provides technical expertise to non-profit, profit, and tribal and government organizations serving LMI housing, small business, and economic needs. Community development services provided in the Billings and Great Falls MSAs as well as in some outstate markets was adequate.

Delivery Services

Branches and ATMs were readily accessible in the Billings and Great Falls MSAs as well as in the Butte and Missoula AAs.

<p align="center">First Bank Montana, N.A. Branch and ATM Location by Income Level of the Geography</p>											
State or AA	Branches					ATMs					% LMI Geo
	#	% Low	% Mod	% Mid	% Upper	#	% Low	% Mod	% Mid	% Upper	
Montana	12	17%	33%	50%	0%	29	7%	14%	72%	7%	21%
Billings MSA	2	50%	0%	50%	0%	7	14%	14%	72%	0%	22%
Great Falls MSA	3	33%	33%	33%	0%	6	17%	17%	66%	0%	29%
Outstate Montana	7	0%	43%	57%	0%	16	0%	12%	76%	12%	16%

<p style="text-align: center;">First Bank Montana, N.A. Branch and ATM Location by Income Level of the Geography</p>											
State or AA	Branches					ATMs					% LMI Geo
	#	% Low	% Mod	% Mid	% Upper	#	% Low	% Mod	% Mid	% Upper	
* Bozeman	1	N/A	0%	100%	0%	6	N/A	16%	68%	16%	22%
* Butte	1	N/A	100%	0%	0%	2	N/A	0%	100%	0%	13%
* Havre	1	N/A	0%	100%	0%	1	N/A	0%	100%	0%	14%
* Helena	1	0%	N/A	100%	0%	3	0%	N/A	67%	33%	10%
* Miles City	1	N/A	N/A	100%	N/A	1	N/A	N/A	100%	N/A	0%
* Missoula	2	N/A	100%	0%	0%	3	N/A	33%	67%	0%	22%

N/A was entered into the table where there were no LMI census tracts or BNAs in the bank's AA.

* Outstate AAs

Source: Bank Prepared Data

In addition to the bank's branching and ATM network, FBM provides customers access to other banking vehicles by offering a wide variety of delivery systems. Those systems include, but are not limited to, the following:

AT&T Language Line

The AT&T Language Line provides FBM customer service representatives with access to interpreters who speak more than 140 languages. Interpreters assist customers to understand banking products and services. The AT&T Line is made available at no cost to FBM customers 24 hours a day, 365 days a year. The most common language used by FBM customers is Spanish.

Bilingual Brochures

FBM developed brochures to help both Spanish and English speaking customers understand products offered by the bank. Credit and deposit related accounts are detailed in brochures which also discuss retirement, trust, and investment services offered by FBM. The bank also offers a checking primer, *The Basics of Checking*, in both Spanish and English. The primer details basic checking account terminology as well as guidelines for opening and maintaining a checking account. FBM uses flyers to assist Spanish speaking customers understand home equity and Direct Cash products as well as how to access Spanish speaking customer representatives through FBM's FastLineSM.

Hearing Impaired Telecommunication Devices

Hearing impaired devices are available through all FBM customer service units.

FastLineSM

Customers may obtain banking services 24 hours a day toll-free through FastLineSM. The service allows customer to obtain information or transfer balances between accounts, pay or advance funds on overdraft protection, place stop payments, purchase certificates of deposit and apply for installment loans. The service also has a bill paying feature and can be accessed through the bank's Internet Website. FastLineSM also has Spanish-speaking staff available to serve customers Monday through Friday 8:00 a.m. to 5:00 p.m. Central Time. Calls received outside the above hours are handled with the assistance of the AT&T Language Line.

First Financial LineSM

First Financial LineSM is available toll-free Monday through Friday 8:00 a.m. to 9:00 p.m. and Saturday 9:00 a.m. to 2:00 p.m. Central Time. The Line provides customers with information regarding existing accounts, current interest rates, promotional offers, branch locations, and business and deposit account descriptions. Applications for deposit and loan products are also taken over the telephone and later mailed for signature.

Mortgage Direct

Mortgage Direct can be reached toll-free Monday through Friday 7:30 a.m. to 5:00 p.m. Central Time. Mortgage Direct provides an avenue for communicating with prospective mortgage customers about mortgage financing. Product descriptions that best meet the caller's needs are discussed after obtaining basic financial and credit history information. Applications are taken over the phone or mailed upon request.

Business Banking Fax-Back Service

Business banking customers may obtain business related information 24 hours a day through Fax-Back. By calling and following basic instructions using a customer identification number, customers receive faxed-back confirmation of business checking, reserve line, credit card and merchant processing information.

TaxTel

TaxTel was developed to assist businesses file federal taxes electronically using the Electronic Federal Tax Payment Program. Businesses can pay federal taxes and take advantage of touch-tone phone payments as well as receive warnings against late payments and transmittal errors. Businesses also have access to a customer hotline which helps answer TaxTel questions.

Business News Letters

FBM offers business information using the quarterly *re: Business* news letter. Among other things, *re: Business* provides business owners with information about FBM products and details about budgeting, tax, payroll, seminars and economic indicators. It also details Internet World Wide Websites that will assist customers locate business related information.

Chextra® Banking

Chextra® Banking is available to employees of participating corporations with at least 25 employees. By enrolling a corporate Direct Deposit program, customers are provided the following banking options: direct deposit, free checking, no minimum balance money market and savings accounts, no monthly service fees, tiered interest rates and loan, services, and investment discounts. The program also streamlines payroll operations and reduces payroll processing costs for corporations participating in the program.

Internet Browser

FBM uses Internet Websites to provide consumers with a corporate profile and information regarding consumer a business banking, investments and branch, ATM, and commercial banking locations.

Educational Programs

FBM provides credit and deposit counseling and training throughout its AAs. Educational programs include:

Homebuyer Training

The *Homebuyer Training* curriculum prepares prospective homebuyers for ownership by providing information regarding:

- C Long-term budgeting;
- C Financial barriers and tax benefits;
- C Qualifying for and obtaining a mortgage;
- C Home shopping and buying guidelines;
- C Closing procedures; and
- C Life as a homeowner.

Paying for College

Paying for College is a guide to financial aid which helps potential and existing college students understand the financial aid process. The guide provides the following information:

- C Explains the four basic types of financial aid, including grants, scholarships, work study, and education loans
- C Where to obtain financial aid;
- C Financial aid application steps;
- C Federal education loans characteristics; and
- C Most commonly asked financial aid questions and answers.

Balancing the Basics

Balancing the Basics is a guide to money management and includes primer guidance in both Spanish and English the following banking and money management areas:

- C Checking and savings;
- C Instalment loans and credit card debt;
- C Budgeting;
- C Educational funding; and
- C Taxes, including federal and state income tax, and social security tax.

FBS Investment Services, Inc.

FBS Investment Services, Inc. (FBSISI), a subsidiary of FBM, offers two business retirement plans to help employers provide benefits to employees. The *Portfolio SEPSM*, a simplified employee pension plan, is a program designed specifically for companies with fewer than 25 employees. The *First American 401(k) SolutionSM* is a retirement plan for businesses with fewer than 100 employees. It offers all the benefits of a large corporate 401(k) but is easier to maintain and is more economical.

Federal Home Loan Bank Affordable Housing Program (AHP)

During 1995 and 1996, FBM assisted two non-profit organizations obtain AHP grants totaling \$90M. The AHP is funded by the Federal Home Loan Bank located in Des Moines, Iowa and provides grants to organizations that purchase, construct, or rehabilitate owner-occupied housing for LMI households or to finance rental housing where at least 20% of the units will be allocated to very low-income households. Semi-annually, grant applications are approved using point ranking criterion. AHP grants are provided to applicants who ranked highest in the application process.

Green Tree Financial Corporation (GTFC)

FBM acted as a facilitator of mobile home lending by forwarding prospective customers to GTFC. Bank staff assisted prospective borrowers complete mobile home lending applications prior to submission to GTFC for credit underwriting. FBM did not, however, provide the number of applications that were referred to or approved by GTFC.

Other Services

FBM provides free government check processing to non-bank customers in all banking markets as well as offers a monthly fee or reduced fee checking through Chextra ValueSM and Chextra ExpressSM programs.

Branch Openings and Closures

When necessary, FBM follows procedures that ensure that customers are not negatively impacted by bank office closures or relocations. During 1995 and 1996, FBM did not open or close any banking offices. It did however,

add four proprietary ATMs to its banking network during 1996, one of which was located in a moderate-income geography.

Banking Hours

Banking hours do not vary in a way that inconvenience bank customers. Hours are evaluated on an ongoing basis ensure that they meet the needs of banking customers. Most FBM offices were open Monday through Thursday 9:00 a.m. to 4:00 p.m. with Friday closures at 5:00 p.m. Autobank hours varied from 7:30 a.m. to 6:00 p.m. Monday through Friday with Saturday banking from 9:00 a.m. to 1:00 p.m. at one Billings, Bozeman, and Missoula office. The Billings and Missoula offices were located in LMI geographies

Community Development Services

FBM employees and management participate in a number of profit and non-profit organizations that provide qualified community development services to the bank’s AAs.

<i>First Bank Montana, N.A. Community Development Services by MSA and Outstate Assessment Area</i>		
Outstate & MSA Name	Number of Training Seminars	Number of Organizations Receiving Technical Expertise
Montana	27	21
Billings MSA	4	4
Great Falls MSA	2	3
Outstate Montana	21	14
* Bozeman	4	1
* Butte	1	1
* Havre	7	2
* Helena	2	5
* Miles City	3	1
* Missoula	4	4

Source: Bank Prepared Data
AAs

* Outstate

Organizations receiving community development services included, tribal and local housing authorities, business community development corporations, foundations and associations, and educational facilities. Examples include

- C FBM worked with Neighborhood Housing Services (NHS) in establishing the Lenders Pool. The \$1 million Lenders Pool will provide funding for the purchase and purchase-rehab loans in NHS LMI targeted neighborhoods. FBM staff worked as NHS fund raisers as well as served as board and committee members and co-developers of the homebuyer education program. FBM acted as a facilitator for NHS in obtaining affordable housing grants and access to mortgage programs through the Montana Department of Commerce
- C While serving on the board and micro-business loan committee of the Montana Women's Capital Fund, FBM staff helped assist women-owned businesses obtain start-up and expansion financing. They also helped provide business planning technical assistance.
- C Along with consultants and other banks, FBM helped develop the Missoula Housing Corporation (MHC) by working with the City Planning and the Historic Preservation Department. The MHC provides low-cost mortgages, downpayment and rehabilitation assistance as well as homebuyer education and counseling. The MHC will provide more than 25 first-time homebuyers the opportunity to purchase and renovate their home
- C FBM worked actively to help establish the Native American Development Corporation (NADC) and its subsidiary, the Native American Capital Loan Fund (NACLF). The NADC is a nonprofit economic development corporation that provides technical assistance and financing to Indian-owned small businesses located on Montana Indian reservations. FBM staff also helped bring both public and private funding sources together and served as members on both boards.
- C Along with other area private and public organizations, FBM helped create the Montana/Wyoming Tribal Code Development Task Force. The Task Force acted as a facilitator in the development of a draft Uniform Tribal Commercial Code. The Code will help bridge lending cultural and legal barriers in Indian Country.

Billings MSA

FBM's CRA performance in the Billings MSA was consistent with the bank's overall performance. Lending performance was good and investment performance was adequate. Branch and ATM locations were readily accessible and community development services were adequate.

FBM's lending performance in the Billings MSA was good. Distribution of HMDA loans by geography, consumer loans in low-income CTs and consumer loans to LMI borrowers was excellent. Small business and farm lending was good by loan size and revenues and adequate in LMI CTs. HMDA lending to LMI borrowers and consumer lending in moderate-income CTs was adequate. Improvement was needed, however, to enhance market share of HMDA loans to LMI borrowers. Community development lending volume was high. Lending performance in the Billings MSA was stronger than it was for the state overall.

Investment performance was adequate. Donations of \$7M were made to four housing related private and public organizations for home ownership counseling and home construction. An additional \$50M was provided to a nonprofit economic development corporation that provides startup and expansion financing to companies who lack access to conventional credit sources. United Way contributions totaled \$65M. Investment performance in the Billings MSA was stronger than the bank's overall investment performance.

Branches were readily accessible to residents of the Billings MSA. FBM had two branches and seven ATMs in the Billings MSA. One of the branches and two ATMs are located in LMI geographies. The percentage distribution of branches and ATMs in LMI geographies exceeded the percentage of LMI geographies in the AA. Branch distribution was consistent with the bank's overall branching performance.

FBM had an adequate community development service presence in the Billings MSA. FBM staff provided technical expertise through four organizations that serve LMI housing needs or economic revitalization and development. Four training seminars were held that related to financial management skills and home ownership. Community development service performance was consistent with the bank's overall service performance.

Great Falls MSA

FBM's CRA performance in the Great Falls MSA was consistent with the bank's overall performance. Lending and investment performance was adequate. Branch and ATM locations were readily accessible and the percentage distribution of branches and ATMs in LMI geographies exceeded the percentage of LMI geographies in the AA. FBM had an adequate community development service presence in the Great Falls MSA.

FBM's lending performance in the Great Falls MSA was adequate. Distribution of HMDA loans to low-income borrowers and consumer loans to LMI borrowers was excellent. Distribution of HMDA loans in moderate-income CTs and consumer loans in low-income CTs was good. Small business and small farm lending in LMI CTs and loan size and revenues were adequate. Improvement was needed for consumer loans in moderate-income CTs while substantial improvement was needed for HMDA lending to moderate-income borrowers. Finally, improvement was needed to enhance the bank's market share of HMDA loans to LMI borrowers. The bank did not make any community development loans in the Great Falls MSA during the evaluation period. Lending performance was consistent with the overall state rating.

FBM's responsiveness to development needs and its volume of qualified community development investments were adequate in the Great Falls MSA. Donations of \$39M were made to three housing related organizations for home ownership counseling as well as home construction and maintenance. An additional \$5M was contributed to an organization that provides startup and expansion financing to companies who lack access to conventional credit sources. United Way contributions totaled \$13M. Investment performance in the Great Falls MSA was stronger than the bank's overall investment performance.

Branches and ATMs were readily available to residents of the Great Falls MSA. FBM had three branches and six ATMs in the Great Falls MSA. Two branches and two ATMs were located in LMI geographies. The percentage distribution of branches and ATMs in LMI geographies exceeded the percentage of LMI geographies in the AA. Branch distribution was consistent with the bank's overall branching performance.

FBM had an adequate community development service presence in the Great Falls MSA. FBM staff provided technical expertise through three organizations that serve LMI housing needs or economic revitalization and development. Staff also provided two training seminars relating to financial management skills. Community development service performance was consistent with the bank's overall service performance.

Outstate Montana

FBM's CRA performance in outstate AAs was consistent with the bank's overall performance. Lending performance was adequate, while improvement was needed to enhance investment performance. Branch and ATM locations were readily accessible and the percentage distribution of branches and ATMs in LMI geographies exceeded the percentage of LMI geographies in the AA. FBM had an adequate community development service presence in outstate Montana AAs.

FBM's lending performance in its outstate AA of Montana was adequate. Distribution of small business and small farm lending in LMI CTs, consumer lending in low-income CTs and consumer lending to LMI borrowers was excellent. Small business and small farm lending by loan size and revenues was good. HMDA lending in LMI C and to low-income borrowers was adequate. Improvement was needed for consumer lending in moderate-income CTs and for HMDA lending to moderate-income borrowers. The bank did not make any community development loans in outstate Montana during the evaluation period. Lending performance was consistent with the overall stat rating.

Based on the size of the bank's presence in the six outstate AAs, improvement was needed to enhance investment performance. Donations of \$31M were made to seven housing related private and public organizations for home ownership counseling as well as home construction and maintenance in the cities of Missoula, Miles City, Butte, Helena, and Havre. An additional \$44M was provided to business development corporations in the cities of Missoula, Butte, Helena, Havre, and Miles City. United Way donations of \$40M were provided to local United Way Foundations. Investment performance in outstate AAs was consistent with the bank's overall investment performance.

Overall branch distribution was readily accessible to outstate Montana residents. FBM had seven branches and 10 ATMs located throughout outstate Montana. Three of the branches and two ATMs were located in LMI geographies. The percentage distribution of branches in LMI geographies exceeded the percentage of LMI geographies in the AAs. Branch distribution was strongest in Butte and Missoula where all branches were located in moderate-income geographies. ATM distribution in Missoula was also strong with one of three located in a moderate-income geography. Branch distribution was consistent with the bank's overall branching performance.

FBM had an adequate community development service presence in outstate Montana. FBM staff provided technical expertise through 14 organizations that serve LMI housing needs or economic revitalization and development. Staff also provided 21 training seminars relating to financial management skills, small business financing and home ownership. For a more detailed numerical breakdown by AA, please refer to the *Community Development Services* section on page 25. Community development service performance was consistent with the bank's overall service performance.