



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mountain West Bank of Kalispell, National Association
Charter Number 21156**

**444 West Idaho
Kalispell, MT 59901**

**Comptroller of the Currency
Billings Field Office
490 North 31st Street Suite 220
Billings, MT 59101**

NOTE: This document is an evaluation of this 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. 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.

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

DESCRIPTION OF INSTITUTION

Mountain West Bank of Kalispell (MWBK) is a full service community bank operating in northwest Montana. As of December 31, 2003, total assets equaled \$63 million and net loans to total assets were 75 percent. Bank West Financial Corporation owns MWBK. Mountain West Financial Corporation, located in Helena, Montana, owns 75 percent of Bank West Financial Corporation. The remaining ownership of Bank West Financial Corporation is widely dispersed. In January 2004, the bank opened a branch office in Whitefish, Montana. ATMs are available at both offices, plus the offices of this bank's affiliate, Mountain West Bank, N.A., in Helena, Montana. In addition, customers of MWBK may use ATMs located at Wells Fargo Bank Offices and Rosauers Super Markets for no charge. The bank's primary lending focus is small business loans.

Mountain West Bank of Kalispell participates in the Glacier Affordable Housing Foundation (GAHF) Community Development Block Grant (CDBG). At the time of this exam, MWBK had not made any loans using this program. This program offers home loans for low and moderate-income individuals.

In addition to the affordable housing program, MWBK acts as an agent for their affiliate bank, Mountain West Bank, N.A., in originating residential real estate loans. For the past three years, MWBK assisted in making 96 residential real estate loans totaling \$12,947,260.

The prior Community Reinvestment Act Performance Evaluation performed as of January 4, 1999, resulted in a "Satisfactory" rating. The January 4, 1999, performance evaluation reflects the performance of Bank West, N.A., before Mountain West Financial Corporation acquired controlling ownership and changed the bank's name to Mountain West Bank of Kalispell, N.A.

The bank does not have any financial or legal impediments that prevent it from meeting the credit needs of the community and assessment area.

Please refer to the bank's *CRA Public File* for more information.

DESCRIPTION OF FLATHEAD COUNTY

MWBK's assessment area (AA) includes all of Flathead County. Flathead County is not part of a metropolitan statistical area. The AA is comprised of 15 census tracts; 12 Middle-income, 2 Upper-income and 1 Moderate-income. The AA does not arbitrarily exclude any low- or moderate-income areas. According to 2000 Census data, 62 percent of the 34,773 housing units in the AA were owner occupied, and 14 percent were vacant. Census data also lists the population of the AA at 74,471. For 2003, the US Department of Housing and Urban Development (HUD) estimates the non-metropolitan, median family income (MFI) for Montana

at \$42,200. Based on information obtained from a local realtor the typical selling price of a home in AA is between \$150,000 and \$165,000.

The local economy is largely dependent on services, tourism and the timber industry. Based on 2002 employee census data, the area's largest industries are Services (33 percent), Retail trade (16 percent) and Construction (11 percent). Major employers include Plum Creek Manufacturing, Kalispell Regional Medical Center and Glacier Bank. Banking competition is keen. Thirty-one financial institutions compete for financial services business in Flathead County. First Interstate Bank and Glacier Bank hold 43 percent of the deposits in the county based on June 30, 2003, FDIC data. MWBK's market share was nominal at 6 percent.

We contacted a local business owner to discuss economic conditions and credit needs. The business owner's comments follow. The Flathead Valley has experienced 25 percent population growth over the last 10 years. The growth was fueled by California's declining economy. Growth for 2004 is projected at 8 percent. Median home prices in Flathead County almost doubled, rising from \$63,500 to \$120,000 between 1990 and 2000. The business owner indicated that financial institutions are supportive of the community.

Please refer to the bank's *CRA Public File* for more information.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We evaluated the bank's lending performance by reviewing business purpose loans originated from January 1, 2002, through March 31, 2004. Mountain West Bank of Kalispell's primary credit product is small business lending. We randomly selected 33 business loans to test the bank's lending performance to small businesses. We used a 100 percent sample of the business purpose loans to evaluate the level of lending in or out of the assessment area and to further evaluate the geographic distribution of loans made within the AA. We obtained demographic information from the 2000 United States Census.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio reflects a satisfactory responsiveness to community credit needs and is comparable to similarly situated banks.

Similarly situated banks are those banks with similar business lines and comparable asset size operating in the AA. We identified two other community banks that met this criteria. Based on this comparison, MWBK's loan-to-deposit ratio indicates a reasonable responsiveness to area credit needs. We averaged each bank's loan-to-deposit ratio for the last thirteen quarters for comparison ending December 31, 2003. MWBK's loan-to-deposit ratio average was 88 percent, compared to 85 percent for the average of the two local banks.

Lending in Assessment Area

MWBK originated a majority of its loans in the assessment area.

Specifically, 85 percent of the number and 63 percent of the dollar volume of all loans originated during the review period were made within the bank's assessment area.

Lending to Businesses of Different Sizes

Mountain West Bank of Kalispell (MWBK) has a satisfactory distribution of loans to small businesses.

Bank management actively participates in loan programs offered by the Small Business Association.

MWBK demonstrates good performance of lending to small businesses. Management participates in the Small Business Administration loan guarantee program. Based on demographic data obtained from 2002 Dun and Bradstreet reports, 95 percent of the assessment area businesses have sales less than \$1 million. MWBK originated 85 percent by number and 59 percent by dollar of commercial loans to small businesses. In addition, the bank originated 45 percent by number and 22 percent by dollar of their small business loans to businesses with revenues less than \$250 thousand.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. However, Mountain West Bank of Kalispell had no penetration in the moderate-income tract. This is mitigated by the limited opportunities for business lending in the moderate-income tract; only two percent of the AA businesses are located in this census tract.

Responses to Complaint

MWB of Kalispell did not receive any consumer complaints about its performance in helping to meet the credit needs of the assessment area during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.