

MAY 2024

ECONOMIC CONTRIBUTIONS OF Montana Banks



Prepared by:



**BUREAU OF BUSINESS AND
ECONOMIC RESEARCH**
UNIVERSITY OF MONTANA

Prepared for:
MONTANA BANKERS ASSOCIATION

Acknowledgements



Montana banks are the engine of our state economy and the protectors of our hard-earned money. They keep our communities going, not only through their generous philanthropy and volunteerism, but through the taxes they pay that fund essential services. This report was prepared for the Montana Bankers Association (MBA) so that we could help showcase the many ways in which these often-unsung heroes support our great state.

On behalf of MBA, we extend our appreciation to the following individuals and organizations who made valuable contributions to this effort:

First and foremost, we thank all the Montana bankers who provided data, feedback, and support throughout this project. We particularly recognize former MBA President Cary Hegreberg, K.C. Hickok (Bank of Bridger), Tom Severson (First Interstate Bank), and Chuck Eble for the vision and insights they provided as members of the steering committee.

We owe our gratitude to Patrick Barkey, Derek Sheehan, and John Baldrige with the University of Montana Bureau of Business and Economic Research for their expertise, guidance, and hard work throughout the process. Their dedication to providing high quality economic research was invaluable to this study.

Finally, we give our thanks to Jim Brown and the Montana Independent Bankers. Their cooperation and assistance in data collection greatly benefited this report.

Sincerely,

Sam Sill

President, Montana Bankers Association

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1. The Economic Contributions of Montana Banks

Introduction

Banking and finance are at the core of economic growth and prosperity. An economy without the investment capital that allows businesses to maintain and expand their capacity, helps them manage their costs in the face of lumpy cash flows, and allows consumers to purchase homes and cars is an economy that cannot provide the opportunities and the standard of living we have come to expect.

The critical importance of the access to capital that banks and financial institutions provide has been painfully revealed at different times in our country's long economic history, when financial turbulence interrupted that access, and a deep economic contraction was the result.

Montana banks have a long and proud history in serving the needs of businesses and households in communities across the state. Their close physical access and intimate familiarity with the agriculture producers, commercial developers, and small- and medium-sized businesses, as well as the people and families who run them, has emerged as a strong asset in facilitating their success. In a state of just over a million people spread out across more than 147,000 square miles, forging these close connections poses challenges to both banks and to those who need banking services that Montana banks work hard to maintain.

There are other challenges to Montana banks as well. Banks face the same profitability challenges that every business faces, just as they might face competition from other banks and financial institutions. Banks must continuously monitor and manage their portfolios to manage risk from a variety of sources and work within a state and federal regulatory environment that oversees their activities. And, increasingly, Montana banks face pressure from other kinds of businesses that offer many of the same services, most recently from the technology-enabled online lenders and the expansion of credit unions into markets such as commercial lending.

Banks in Montana are significant taxpayers to federal, state, and local governments. The effective tax rate on income of for-profit financial institutions – banks – was estimated in a recent research report (Damodaran 2024) to be 20.7 percent. Based on the most recent filings on the net income of banks in Montana, this yields an estimated \$147 million in taxes paid.

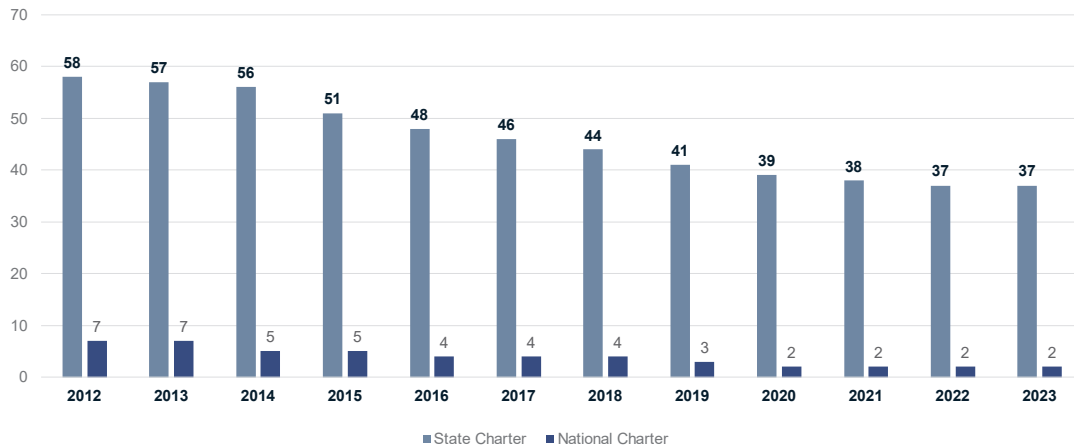
In facing those specific challenges, Montana banks arguably face one that is more fundamental. You might call it the curse of familiarity. Banks are as much a part of almost every community as streets and traffic signs. In almost any town of modest size in Montana, you will find a bank. Yet this familiarity has fostered complacency and even an ignorance about what banks do for their communities. This situation works to the disadvantage of banks when policy discussions take place on matters that affect the banking community.

The Landscape of Montana's Banking Industry

To say that banking and finance have evolved significantly since Montana achieved statehood in 1889 would be an understatement. But no more or less than the economy as a whole. Banking is a technologically sophisticated industry with size and geographic scope that no customer of that earlier era could likely comprehend. Yet the fundamental nature of banking – forging relationships, managing risk, and providing capital to businesses and households across the state – remains fully intact to this day.

Montana is home to banks of all sizes, which helps account for why the number of banks in the state has trended downward. There were just 39 banks headquartered in Montana in 2023, down from 65 in 2012, as shown in Figure 1.1. The decline was due to consolidation of smaller banks into bigger banks – Montana’s has seen no bank closures since the relatively small (\$15 million asset) Q Bank in Fort Benton closed its doors in 1998.

Figure 1.1 Banks Headquartered in Montana

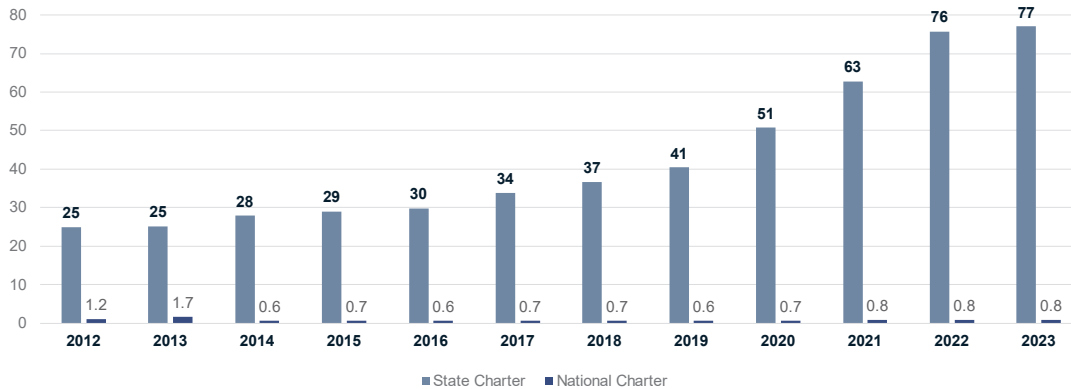


Source: Montana Division of Banking & Financial Institutions

It is important to note that the number of banks with a physical presence in Montana – referred to in this report as “Montana banks” – exceeds the count shown in Figure 1.1. In addition to the banks headquartered here, there are an additional 11 banks headquartered elsewhere with branch operations in Montana. The 50 banks with a presence here collectively operate 372 branch offices spread across 53 of the 56 counties across the state.

The downward trend in the number of Montana headquartered banks says little about the size of the industry’s presence in the state – in fact that presence, as measured by bank assets, has grown strongly over this same period, as shown in Figure 1.2.

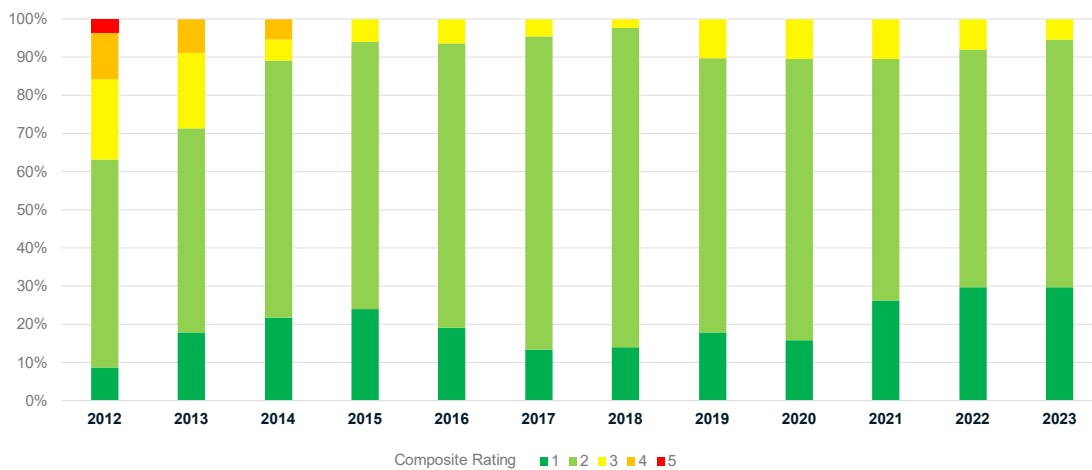
Figure 1.2 Total Assets, Banks Headquartered in Montana, \$ billions



Source: Montana Division of Banking & Financial Institutions

Over this period of growth, the quality of bank’s loan portfolios and operations saw considerable improvement. In the aftermath of the Great Recession, when nationally banks were failing at rates exceeding 100 per year, there were no Montana failures. In 2012, however, there were nine banks in Montana that received a composite rating in the lowest two categories by the Montana Department of Banking and Financial Institutions (DBFI), the state regulator (Figure 1.3). The ratings led to enforcement actions by DBFI.

Figure 1.3 Composite Ratings, Montana Banks, percent of total



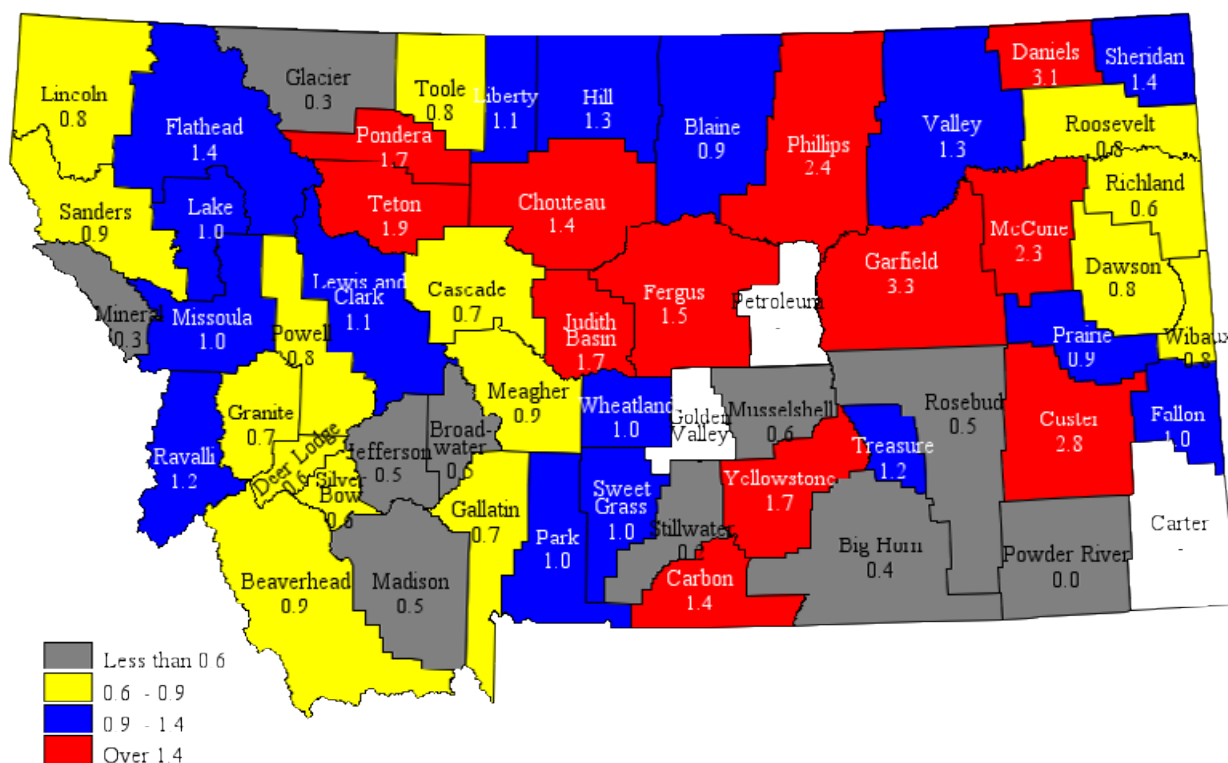
Source: Montana Division of Banking & Financial Institutions

Over the course of the decade, up to the present time, the ratings steadily improved. Since 2015, no banks have received the lowest two ratings, and in 2023, all but two banks receive composite ratings in the highest two categories.

One final characteristic of Montana’s banks is their geographic diversity. With a physical presence in all but three of Montana’s 56 counties, the branches and other operating facilities of Montana banks have special importance in portions of the some of the less urbanized portions of the state. This can be shown with the use of a measure of economic contribution known as location quotient (LQ).

The LQ measures how the share of total wages paid to banking workers in any given region compares to the national share. An LQ of greater than one means that the industry has a larger presence in the economy than the national average. The LQ for banking (NAICS industry code 5221) for Montana as a whole is 1.27, which indicates that banking is slightly more prominent here than nationally.

Figure 1.4 Location Quotients for Banking Wages (NAICS 5221), 2022



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

But the variation in the importance of banking in the economies of the individual counties across the state reveals an important pattern, as shown in Figure 1.4. The three counties that are headquarters to Montana’s largest banks – Flathead (Glacier Bank), Yellowstone (First Interstate Bank), and Custer (Stockman Bank) – have higher than average concentrations (LQ’s exceeding 1) in banking as you might expect. But the importance of banks in the economies of many of the state’s prime agriculture producing counties in central and northern Montana may be more surprising. It underscores the critical nature of banking in the economies of rural Montana.

Summary

This is a study that describes and comprehensively addresses the value of Montana banks to the vibrancy of the economy that supports the livelihoods of all who work and live here. Banks are special in their role of supporting the economies in the communities in which they operate in many ways: their critical role in providing capital for business growth and operations, their presence as a foundational employer in communities large and small throughout the state, and even the traditionally high level of employee and bank involvement in civic, volunteer, and community organizations and activities.

This report is structured to describe and document each of these separate, yet complementary, ways in which Montana banks with a physical presence in the state benefit the economies of communities around the state. The next section presents a deeper dive into core activities of Montana banks, with an emphasis on the deposits and loans of the banking system at the county level across the state. Section 3 of the report considers how the operations of Montana banks impact the economies of the regions in which they do business. Section 4 presents the findings of an analysis of the community contributions that Montana banks have and continue to make in support of the social fabric in the places they reside.

About This Report

This study was produced by the University of Montana Bureau of Business and Economic Research (BBER) in the spring of 2024. The results are based in part on detailed operational information on the operations of banks with a physical presence in the state. The authors of this report are Patrick M. Barkey, John Baldrige, and Derek Sheehan of the BBER. All of the analysis and conclusions of this report are those of BBER, which is solely responsible for any errors or omissions. The study was commissioned by Montana Banking Association.

The Bureau of Business and Economic Research is the preeminent business research center in Montana. Established in the University of Montana's College of Business in 1948, the BBER is involved in survey research, economic analysis, industry studies and its long-running Economic Outlook Seminar programs, now in their 50th year. The BBER mission is to provide an understanding of the economic environment in which Montanans live and work.

2. Montana's Banking Footprint

This section aims to provide a detailed analysis of the performance of banks and lending activities across Montana. The primary objective of this analysis is to display detailed portrayals of banking activities at the state and regional level. These portrayals will also be showcased on an interactive web page designed to provide accessible and comprehensive insights into regional financial dynamics.

The core objective of this endeavor is to create an information-rich depiction of the connections between Montana's banks and the communities they serve, focusing on both businesses and households. This analysis will not report on individual bank-level information in favor of a broader geographical perspective, thus providing a broad view of the financial landscape across the state. By doing so, we aim to illuminate the critical role of banking services for banks with a physical presence in the state in fostering regional economic development and stability.

Banks in Montana

This section of our study provides a comprehensive overview of the types of banking institutions that operate within Montana, which are crucial for understanding the scope of financial services available across the state. The banks are categorized into three primary types based on their headquarters and operational reach:

- **Montana HQ with Other State Offices:** These are banks headquartered in Montana but with operations extending to offices outside the state.
- **Montana Only:** Banks that are both headquartered in Montana and exclusively operate within the state, holding all their deposits in local branches.
- **Other State HQs with Montana Offices:** Institutions headquartered outside Montana but with an operational presence within the state.

Market Share and Physical Presence

To elucidate the market dynamics, Table 2.1 provides a detailed breakdown of these categories, showcasing the number of banking institutions, the number of branches they operate, and a summary of the total deposits attributed to each category. This table highlights the extent of physical and deposit presence each type of bank holds within the state.

This segmentation of banks provides foundational insights into the physical and monetary footprint within Montana, setting the stage for the deeper analysis of lending practices and regional economic support documented in subsequent sections of this study.

Market	Institutions	Branches	Counties Served	Deposits (millions \$)	Market Share (% of Deposits)
Montana HQ with Other State Offices	4	121	29	\$14,435	38.8%
Montana Only	35	189	50	\$15,249	41.0%
Other State HQ with Montana Offices	11	62	23	\$7,531	20.2%
Total	50	372	54	\$37,215	100.0%

Table 2.1 shows that commercial banks that are strictly "Montana Only" hold a commanding presence, not only in terms of the number of branches but also with the majority of deposits. This dominance highlights the substantial role these local institutions play within the state's economy, reflecting a strong preference among Montanans for banking relationships and investments that are deeply rooted within the community.

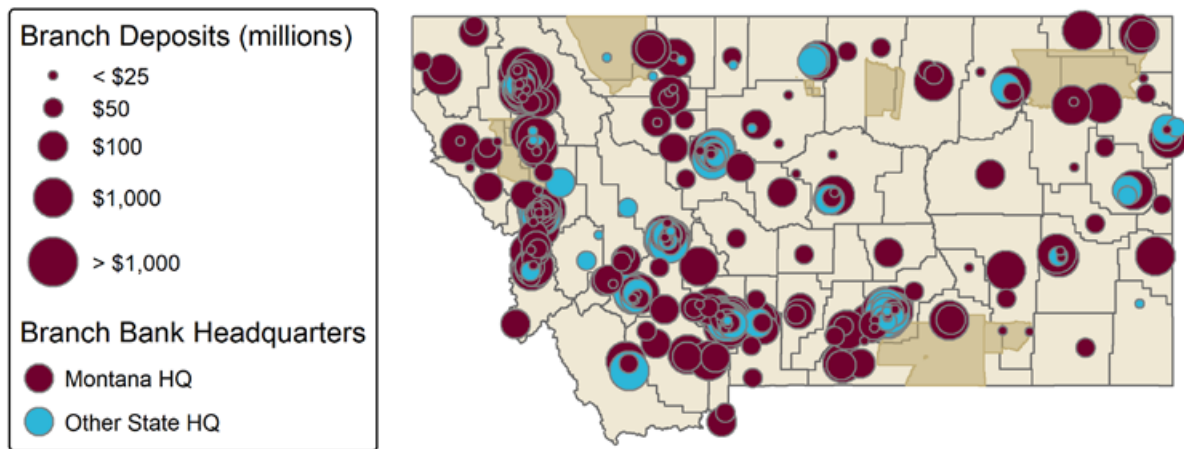
The second largest category in terms of market share includes banks that are headquartered in Montana but also operate in other states. These institutions accounted for approximately 39% of the total state deposits in 2022, signifying their substantial impact on both the Montana but also regional banking landscape. This indicates that while these banks expand their services beyond state borders, they maintain a robust base within Montana, supporting both local and regional economic activities.

Despite being headquartered outside Montana, out-of-state banks still make up a significant portion of the market, holding around 20% of the total deposits. Their presence in Montana contributes meaningfully to the banking and lending activities within the state. This involvement of out-of-state institutions underlines their strategic importance and their role in enhancing the financial ecosystem of Montana and its connections to the broader U.S. economy.

Figure 2.1 illustrates the extensive physical footprint of Montana's banking sector across the state. The distribution of bank branches and offices is widespread, demonstrating significant coverage in both urban and rural areas. Notably, banks headquartered in Montana exhibit a prominent presence beyond the main metropolitan areas, illustrating their commitment to serving a broad spectrum of communities.

Local banks play a pivotal role in supporting not only smaller towns, but also major agricultural areas and those involved in mining and petroleum extraction across Montana. By extending their services to these crucial communities, their widespread presence ensures that both businesses and households have ready access to essential banking services, irrespective of their location within the state.

Figure 2.1 Bank Branches & Offices, Total Branch Deposits, 2023



Source: FDIC Summary of Deposits

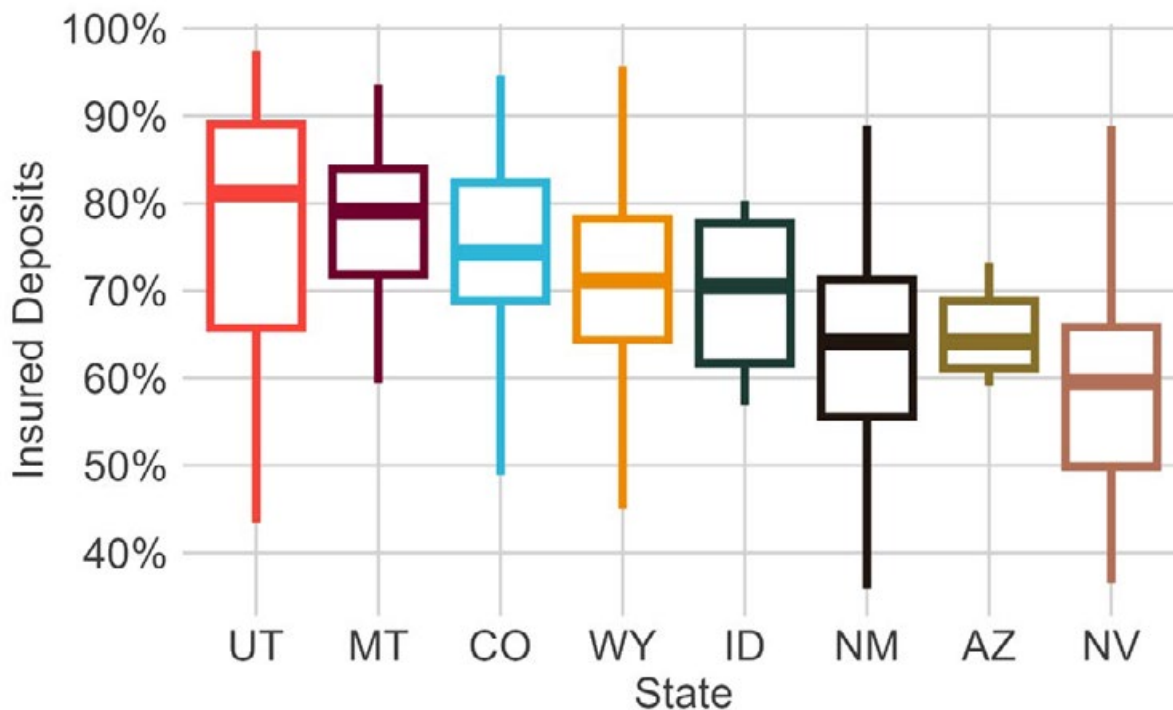
While Montana-headquartered banks dominate the landscape in terms of territory covered, out-of-state banks also maintain a substantial presence. These institutions are well-represented across Montana,

including major cities and key economic hubs. Their branches contribute to the diversity and resilience of the state’s banking ecosystem, providing consumers and businesses with a range of financial services and competitive options.

Figure 2.2 illustrates the distribution of insured deposits as a percentage of total deposits for banks headquartered in various mountain west states, using a boxplot format for each state. The distribution for Montana’s banks shows that in 2023, the median bank had approximately 79% of its deposits insured by the Federal Deposit Insurance Corporation (FDIC), ranking it second in the region just behind Utah. However, the spread of insured deposits in Utah is notably wider than in Montana. For Montana's 35 banks, the insured deposits ranged narrowly from 60% to 94%, indicating a relatively conservative approach to deposit insurance among Montana’s financial institutions.

This consistency in insured deposits is particularly significant when considering the banking instability exemplified by the failure of Silicon Valley Bank in March 2023. One contributing factor to this failure was a low percentage of insured deposits, which heightened depositor concerns and led to a run on the bank. This context underscores the importance of FDIC insurance as a stabilizing factor for banks, particularly in times of financial uncertainty. The situation with Silicon Valley Bank serves as a cautionary tale, highlighting the potential risks associated with insufficient deposit insurance and its impact on depositor confidence and bank stability.

Figure 2.2 State Headquartered Banks, Percent of Deposits Insured Bank Distribution by State, Distribution, 2023



Source: FDIC Financials

Financial Stability of Montana Banks vs. Other Western States

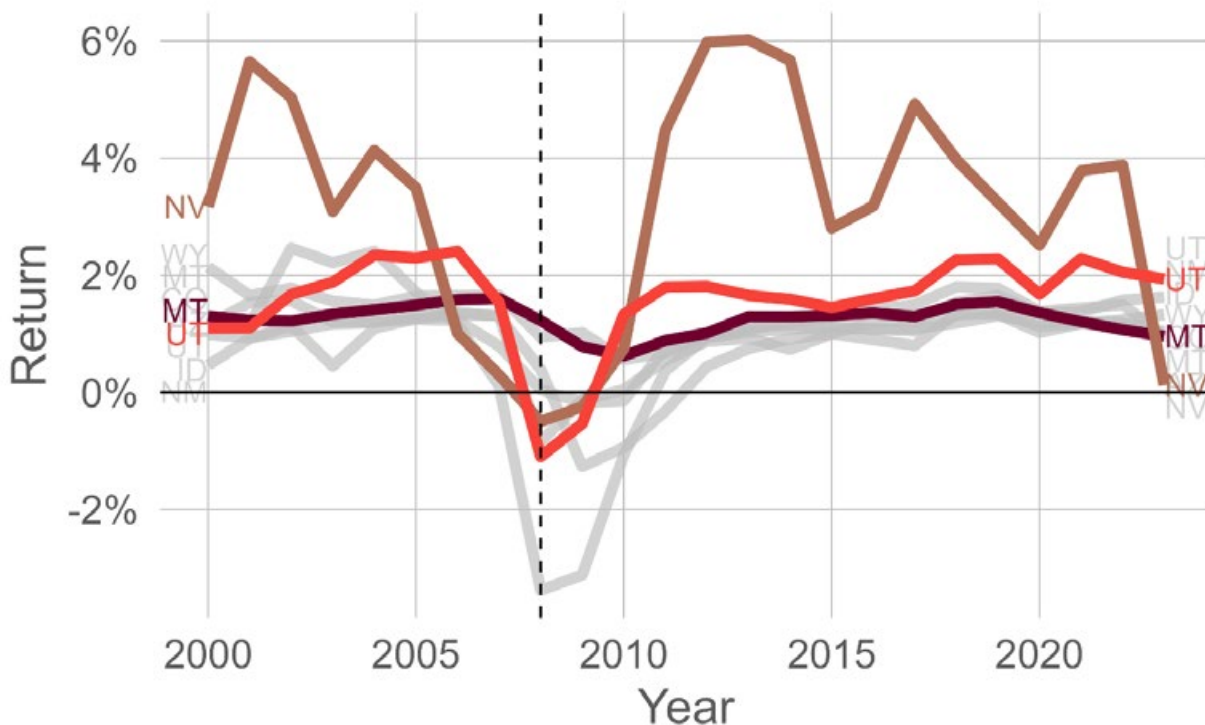
To understand the financial stability of banks in Montana relative to other Western states, it is crucial to first grasp how banks primarily generate revenue. Banks first accept deposits, serving as both a payment system and a repository for these deposits, and then reinvest those deposits into various assets. While the most significant source of revenue is interest earned from loans, banks also generate returns on other assets such as bonds, federal funds, and securities.

A state's Return on Assets (ROA) represents the total return that all the banks in the state earn from their asset portfolios relative to those assets' total value. This ratio is a crucial metric for evaluating a bank's efficiency at generating income from its assets. A higher ROA indicates more efficient management and utilization of assets to produce profits.

Figure 2.3 presents a broader context for the Return on Assets (ROA) for banks headquartered in each state from 2000 through 2023. At first glance, it might appear that Montana's banks have a lower ROA compared to most states in 2023, except Nevada. However, the broader context reveals a noteworthy financial stability of Montana's banks.

Upon examining the trends starting from 2000, a clear pattern of stability emerges for Montana's banks. Notably, during the significant financial downturn of 2008, Montana was one of only two states where the ROA did not turn negative. For Montana, this long-term view reveals a banking sector that, despite its modest ROA in certain years, prioritizes stability over high-risk, high-return strategies. This resilience highlights the robustness of Montana's banking sector in managing assets effectively even during economic crises.

Figure 2.3 Return on Assets, State Headquartered Banks, 2000-2023

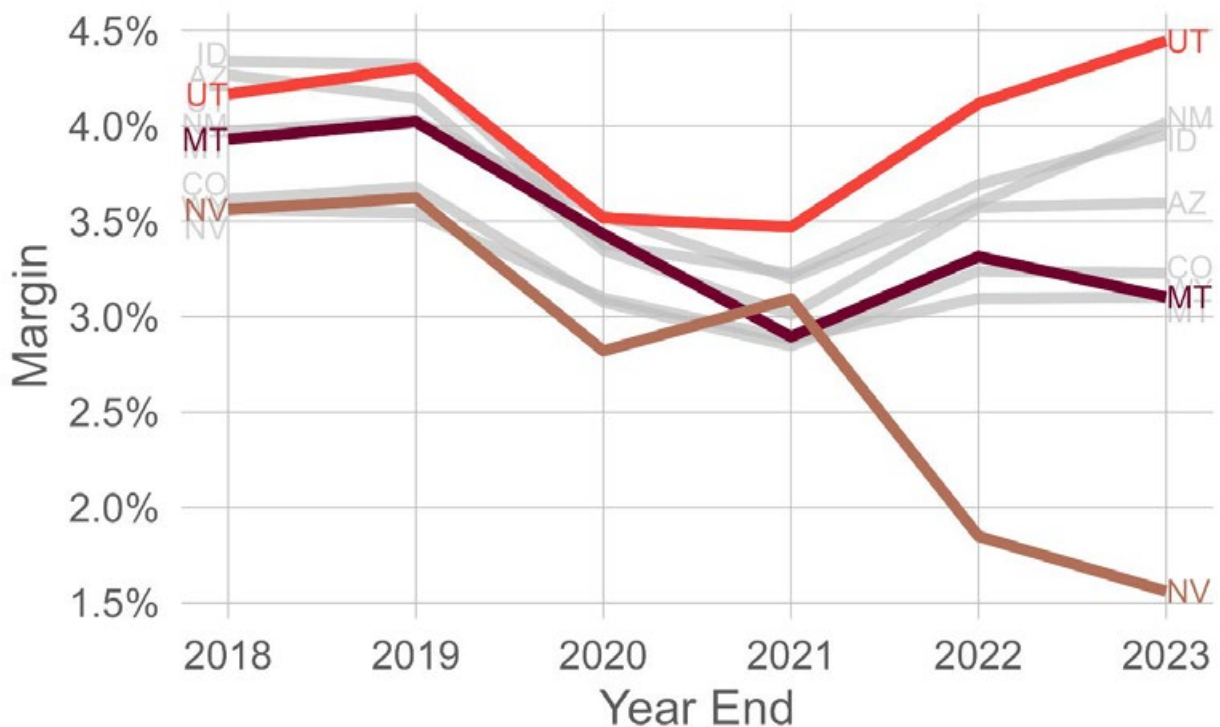


Source: FDIC Summary Ratios

Net Interest Margin (NIM) is a critical financial metric for banks as it measures the difference between the interest income generated by banks (from loans and other assets) and the amount of interest paid out to their depositors. A higher NIM indicates more efficient management of interest-bearing assets and liabilities. Changes in the federal funds rate, which is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve banks) with each other overnight, can significantly influence NIM. When the Federal Reserve adjusts the rates, it directly affects the interest banks earn from loans and pay on deposits, thus impacting their net interest margins.

When federal funds rates increase, banks typically face higher costs of borrowing, but they also adjust the interest rates on loans to pass some of these costs to borrowers. The ability of banks to manage this balance affects their NIM. For Montana banks, the stable NIM despite fluctuations in federal funds rates indicates effective interest rate risk management. The fact that unlike many other state's banks where NIM rose in 2023, the opposite occurred in Montana. This situation may reflect the large presence of Montana banks headquartered within the state that do not appear to have transferred the pressure from squeezed margins onto their customers, possibly absorbing some of the impact to maintain consistent rates and customer satisfaction.

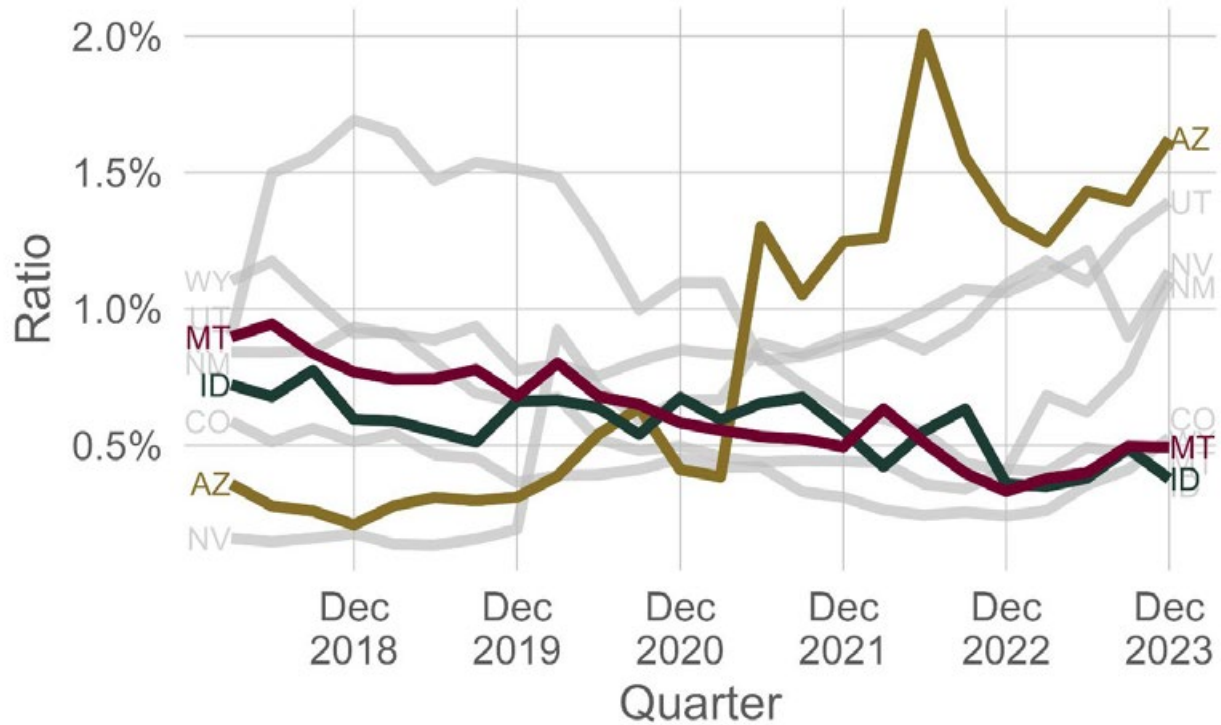
Figure 2.4 State Net Interest Margin, percent, 2018-2023



Source: FDIC Summary Ratios

Figure 2.5 examines the ratio of non-current loans and leases to total loans and leases across western states from 2018 to 2023, with a particular focus on Montana. This metric is crucial as it provides insight into the risk profile and health of the banks' loan portfolios. A non-current loan or lease is one in which the debtor is 90 or more days late on making payments or is in breach of the loan agreement, indicating potential difficulties in repayment.

Figure 2.5 State Non-Current Loans and Leases to Loans and Leases, percent, 2018 – 2023



Source: FDIC Financials

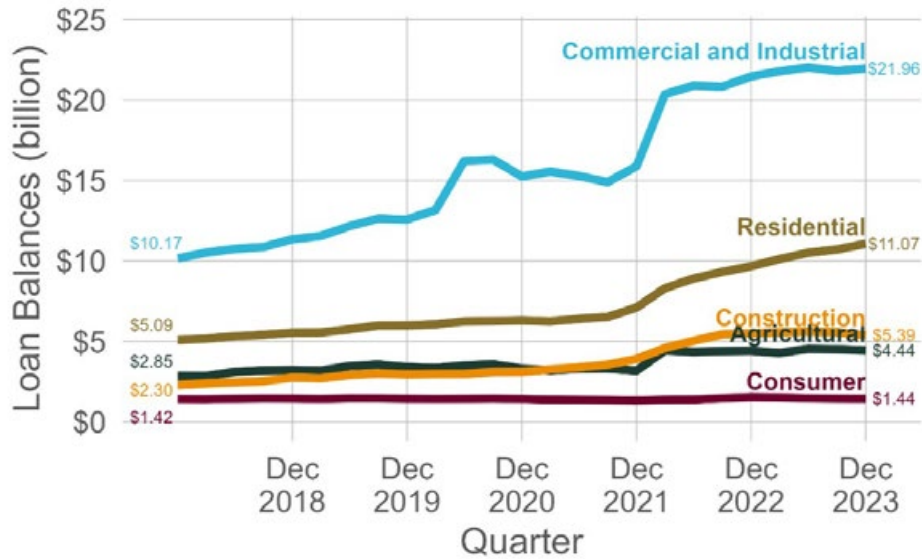
Figure 2.5 shows that Montana and Idaho have maintained low and declining ratios of non-current loans and leases, 0.5% or lower in 2023. This is in direct contrast to other states that have climbed to 1% or greater. The lower ratios in Montana reflect a cautious approach to lending, contributing to stability in its banking sector during economic fluctuations. In contrast, the climbing ratios elsewhere suggest potential vulnerabilities to their state's financial stability.

Montana Loan Portfolio Metrics

In examining the composition of loan portfolios for banks headquartered in Montana, distinct trends emerge across various customer categories. The categories analyzed include Commercial and Industrial (C&I), Residential (single-family and multifamily units), Construction, Agricultural, and Consumer Loans. Each category has demonstrated significant growth in total loan balances over the recent period, except for Consumer Loans.

The C&I loans, which assist businesses with operational and capital expenses, have shown the most substantial increase. This category also includes Paycheck Protection Program (PPP) loans distributed during the COVID-19 pandemic from April 3, 2020, to May 31, 2021, contributing to the growth spike during this period. Residential loans, covering single-family and multifamily units, have similarly seen considerable growth, driven by a robust demand in the housing market.

Figure 2.6 Outstanding Loan Balances by Customer, Montana Headquartered Banks, 2018-2023



Source: FDIC Financials

Loans related to construction have doubled, reflecting a surge in real estate development within the state. However, this growth has shown signs of slowing following the most recent rise in interest rates, increasing borrowing costs and tempering some of the earlier momentum in the construction sector. Similarly, agricultural loans have experienced significant growth, highlighting the expanding agricultural activities in Montana.

In contrast, consumer loans, which include credit cards, student loans, and auto loans, have not seen similar growth and have remained relatively stable compared to other categories. This varied growth across different loan types illustrates the diverse and dynamic nature of Montana's economic activities and how the banking sector has responded to these demands, adjusting to shifts in the economic landscape and changes in monetary policy.

Loans to Small Businesses

In 2023, banks with a physical presence in Montana, which include those with branches and offices across the state, have an estimated:

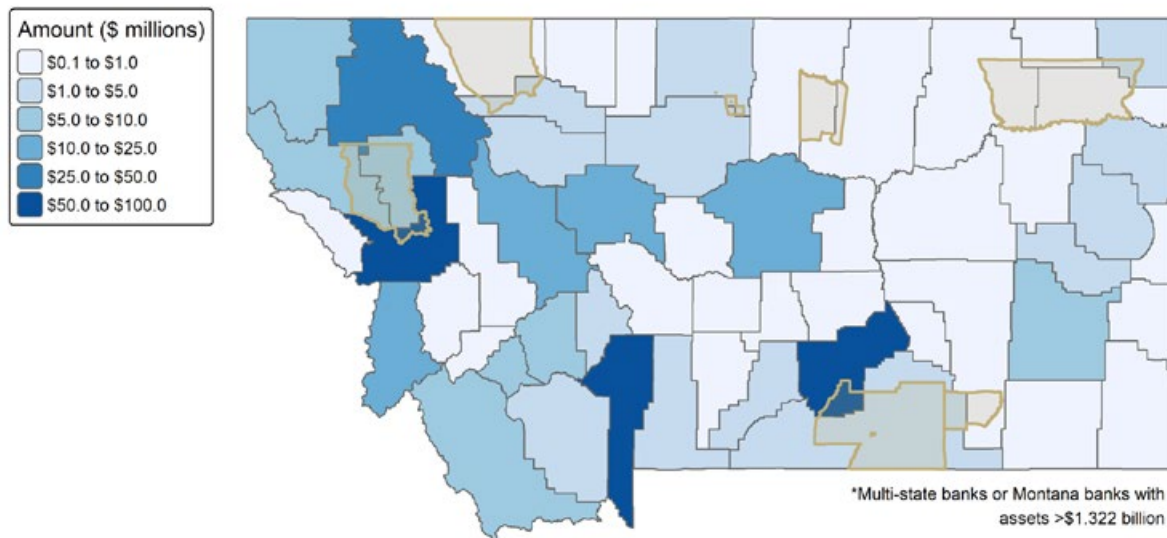
- \$3.35 billion in outstanding small business loans.
- A total of 45,179 loans
- An average loan amount for these outstanding loans is approximately \$74,300.

These statistics underscore Montana banks' commitment to providing the capital that small businesses require to maintain and grow their operations. The estimated figures highlight the banking sector's significant role in supporting entrepreneurship and promoting economic development within the state, ensuring that small enterprises have the financial resources needed to succeed.

Figure 2.7 provides a detailed map of small business loan originations by county in Montana, encompassing data reported under the Community Reinvestment Act for 2022. This analysis highlights explicitly the activity of 10 banks classified as multi-state or Montana-based banks with assets exceeding \$1.322 billion. The map illustrates a concentration of loan originations around Montana's major population and economic centers, reflecting the higher business densities in these areas.

Despite the urban focus, the distribution also includes significant loan volumes in central and eastern Montana, showcasing the extensive reach of these larger financial institutions across the state. This broad geographical spread underscores the efforts of these substantial banks to support diverse business activities, ensuring that financial resources are accessible even in less populated regions.

Figure 2.7 Small Business Loans by County, Community Reinvestment Act, 2022



Source: Federal Financial Institutions Examination Council (FFIEC) Community Reinvestment Act (CRA)

The involvement of these larger-multi-state or large Montana banks indicates a robust support structure for small businesses across Montana. By highlighting the loan activities of these banks, the map not only demonstrates the strategic placement of financial services but emphasizes the commitment to fostering economic growth and development throughout the entire state, not just within its urban centers.

Loans to Small Farms

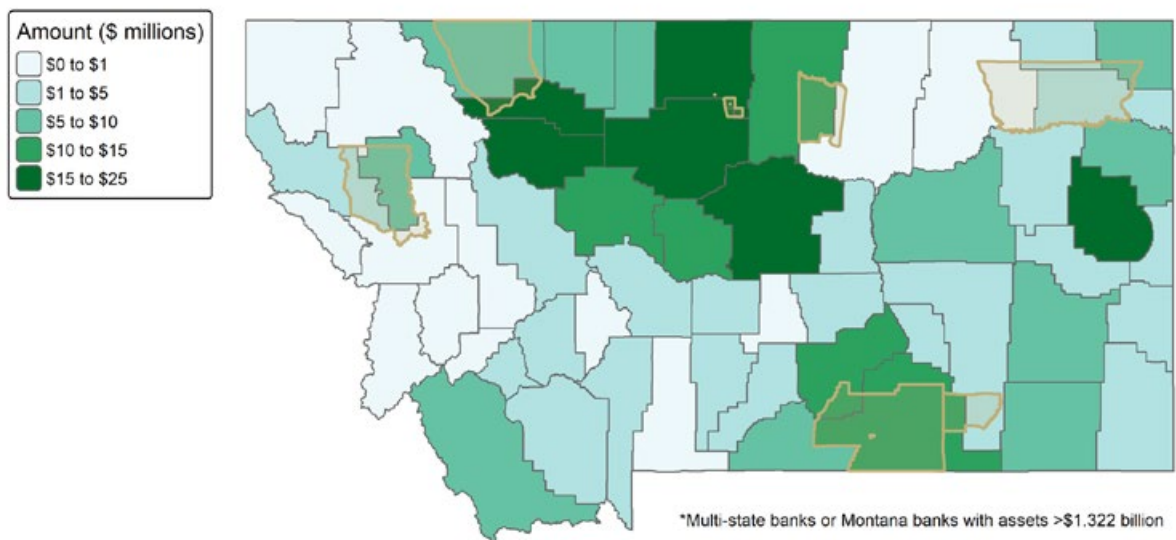
In 2023, banks with a physical presence in Montana, which include those with branches and offices across the state, have an estimated:

- \$1.44 billion in outstanding small farm loans.
- A total of 24,096 loans.
- Average loan amount for these outstanding loans is approximately \$61,500.

These loans are essential for sustaining the economic viability of small farms, which play a crucial role in Montana's economy. By providing these financial resources, banks are pivotal in promoting the sustainability and growth of small farms, ensuring their continued success in a competitive agricultural market.

Figure 2.8 provides a detailed geographic visualization of small business loan originations by county in Montana, using data reported under the Community Reinvestment Act for 2022. This map includes the activities of the same set of banks previously described – those classified as multi-state or Montana banks with assets greater than \$1.322 billion.

Figure 2.8 Small Farm Loans by County, Community Reinvestment Act, 2022



Source: Federal Financial Institutions Examination Council (FFIEC) Community Reinvestment Act (CRA)

Contrary to typical lending patterns that are concentrated in urban centers, the map reveals that small business lending activities by these banks are predominantly spread across the agricultural centers of the state. This distribution underscores the banks' strategic focus on supporting sectors that are vital to Montana's economy, particularly agriculture. By extending loans to businesses in these less urbanized but agriculturally rich areas, the banks demonstrate a commitment to fostering economic growth and sustainability in regions that are crucial for Montana's agricultural output.

The widespread distribution of loans across these areas highlights the importance of small businesses in maintaining the vitality of Montana's rural economies. The data visualized in Figure 2.8 not only reflects the financial support provided to these businesses but also emphasizes the role of financial institutions in promoting development across diverse geographic locations within the state.

Conclusion

Montana's banking sector distinctly embodies a local character, with 80 percent of deposits held in banks headquartered within the state. Predominantly, these are smaller, locally focused banks that prioritize stability and prudential management over high-risk, high-reward strategies. This cautious approach has solidified the foundation of Montana's financial services industry, enabling sustained economic support across various sectors.

Including out-of-state banks and those with operations in other regions, the total loan portfolio of the approximately 50 banks active in Montana shows that an estimated 78 percent of those loans are issued within the state. This statistic underscores the critical role that both local and larger multi-state institutions play in fueling Montana's economy. Their lending activities cover a broad spectrum of industries, particularly focusing on sectors fundamental to Montana's identity and economic health, such as agriculture and small business.

The banks' strategies reflect a deep understanding of the local economic landscape and the unique needs of Montana's communities. By channeling capital to small businesses and farms, these banks not only foster growth and sustainability in these crucial sectors but also enhance the overall economic resilience of the state. Access to capital is critical for maintaining the vitality of small enterprises and agricultural operations, often the lifeblood of rural and lesser-developed areas.

In conclusion, Montana's banks, with their local roots and community-focused approaches, are indispensable to the state's economic ecosystem. They ensure a steady flow of resources to areas that might otherwise be overlooked by other larger national banks. This community focus supports the state's economic diversity and upholds its history of supporting local businesses and agricultural communities. As Montana continues to evolve, its banking sector's adaptive, responsive, and inherently local nature will remain a cornerstone of its economic stability and growth.

3. Economic Impact of Montana Banks on Regions

Pivotal Role of Banking in the Economy

Banks exist to provide capital to businesses to finance their operations and growth, to give both households and businesses a secure place to hold their assets, and to maintain and support the seamless, routine, efficient system of financial transactions between disinterested third parties that makes the entire economy function. All of these things are of incredible value to those of us who depend on the economy for our livelihoods, which is to say, all of us. The pivotal role of banking in the economy is the reason why governments will always consider the good health and full functioning of the banking system to be in the national interest.

Yet there is another thing that banks do that supports the economies in which they operate. Since banks create value, they have revenue, employees, land and buildings, and they demand services from other businesses. In short, they are themselves successful businesses that support the livelihoods of their own employees and those who work for other organizations.

The operations of banks have impacts beyond the workers, businesses, and governments. They pay for services, since a portion of what those people and organizations receive as income is re-spent in the local economies where they reside. The cumulation of these economic flows – the economic contribution of banking operations – can be of significant importance in supporting the overall health of local economies, especially in less urbanized parts of the state that face challenges retaining high quality jobs and younger people and families.

This section reports on an analysis of the economic contributions of banking operations in Montana, at a state and regional level. We ask the hypothetical question: What would the economy of Montana look like if banks did not exist? This is not a realistic scenario, and we make no attempt to spell out or imagine exactly how such a change would be carried out. It is a mental exercise that removes the economic flows – the wages, vendor payments, and taxes – that banking operations create in Montana to create a “no banks” scenario for the economy. A comparison of this hypothetical economy to the actual economy that includes banks gives a measure of how the existence of banks in Montana support jobs, income, business revenues, and government tax receipts throughout the economy.

A key aspect of these economic contributions lies in the interconnectedness between sectors of the local economies in which banks operate. A “no banks” economy not only loses the jobs and incomes of the banks’ employees, but also the jobs in unrelated industries that are supported by the spending of those workers. The analysis captures these linkages with the use of an economic model that is constructed and calibrated for this purpose.

As reported here, the analysis demonstrates the importance of banks as thriving businesses that offer important support to the economies in which they do business. An appreciation of the size and scope of the economic contributions that stem from their physical presence in communities across the state is essential as we move into a future where those operations continue to evolve.

Summary of Findings

The basic finding of this section is that the 50 banks with a physical presence in Montana, through their headquarters operations, data and processing centers, and 372 separate branch offices spread across the 56 counties of the state, represent a potent source of economic prosperity. Using data for 2023 operations

collected from 42 banks that participated in this study, based on a comparison of a hypothetical “no banks” economy to the actual economy where banks operate, it is easily seen that the presence of banks makes the economy larger, more prosperous, and more populous.

Table 3.1 The Economic Contributions of the Montana Banking Industry

Category	Units	Impact
Total Employment.....	Jobs	16,536
Personal Income.....	\$ Millions	\$1,341.9
Disposable Personal Income.....	\$ Millions	\$1,148.6
Selected State Revenues.....	\$ Millions	\$374.0
Output.....	\$ Millions	\$4,000.9

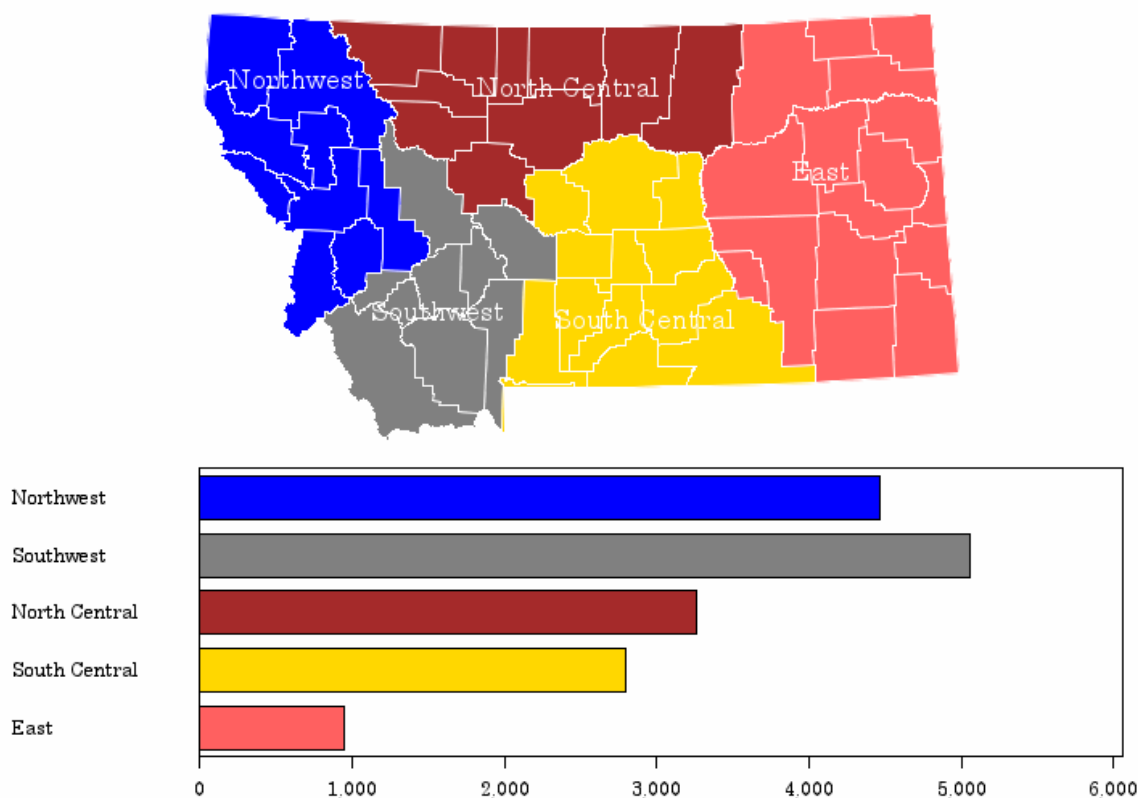
Specifically, we find that in comparison to a hypothetical economy where banks did not exist, the actual economy of Montana today is larger by:

- 16,536 permanent, year-round jobs across a wide spectrum of industries;
- More than \$1.3 billion in annual income received by Montana households, of which more than \$1.1 billion is after-tax income available for spending;
- \$374 million in selected state tax and non-tax revenues received each year, reflecting the larger revenue base of an economy which includes bank operations; and
- \$4 billion in annual economic output, defined as gross receipts of business and non-business organizations.

These contributions are significantly larger than the employment and wages paid by banks themselves. To state it another way, when the jobs and incomes of bank workers are removed from the economy, employment falls by a much greater number. This is because the spending of those who work at banks, as well as the spending of the banks themselves on goods and services, support additional jobs and income in the local economy. The 42 banks that submitted data for this study employed just under 6,000 people in 2023. We estimate that every banking job, on average, supports an additional 1.7 jobs in the rest of the economy through these indirect effects.

There is also significant geographic diversity in the economic contributions of banks. While the size of the impacts of operations is larger in the state’s more populous regions, the fact that significant numbers of jobs are ultimately supported by the presence of banks in the less populous eastern third of the state, as shown in Figure 3.1, speaks to the almost universal presence of banking in every corner of the state.

Figure 3.1 Employment Impacts by Region



How These Results Were Produced

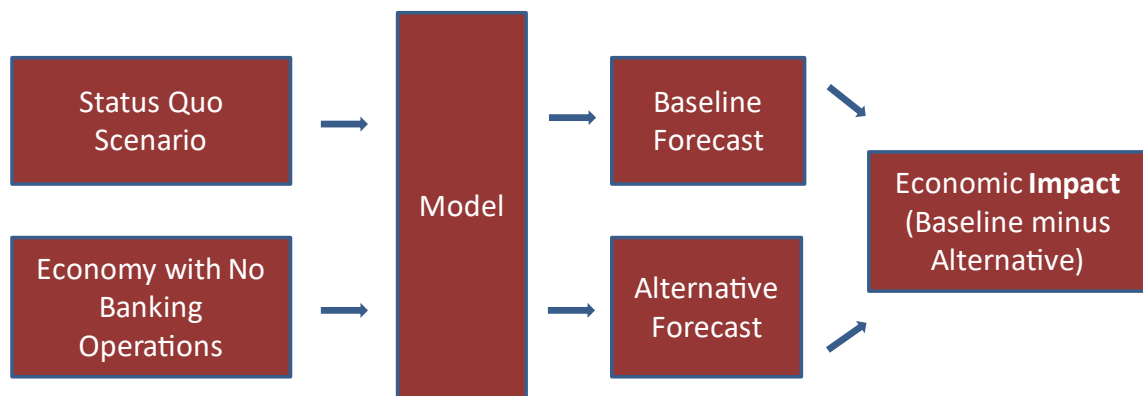
The approach taken to this analysis involved producing two projections for the Montana economy, as shown in Figure 3.2. The baseline, or status quo projection, makes no changes to the economy, while the alternative projection estimates the level of economic activity that would be achieved if the operations of Montana banks today were no longer present. This “no bank” scenario is not a realistic or practical outcome for the state economy, but a conceptual way of demonstrating the linkages between the operations of banks and economic activity overall. Since this alternate project cannot be directly observed we estimate it with an economic model.

There are three basic steps to carrying out the analysis:

- Constructing the “no banks” scenario. Operations data were collected from 42 of the 50 banks with a physical presence in Montana, with details on employment, compensation, vendor spending, and revenues. These data represent the economic flows that are lost in an economy with no banking operations.
- Projecting economic activity with no bank operations. An economic model that recognizes the interdependencies between sectors of the economy is a useful tool in assessing how the removal of the economic flows from banking operations propagate throughout the rest of the economy.

- Calculation of economic impacts. The results presented in this report represent the difference between the status quo and “no bank” economic projections.

Figure 3.2 Policy Analysis with the REMI Model

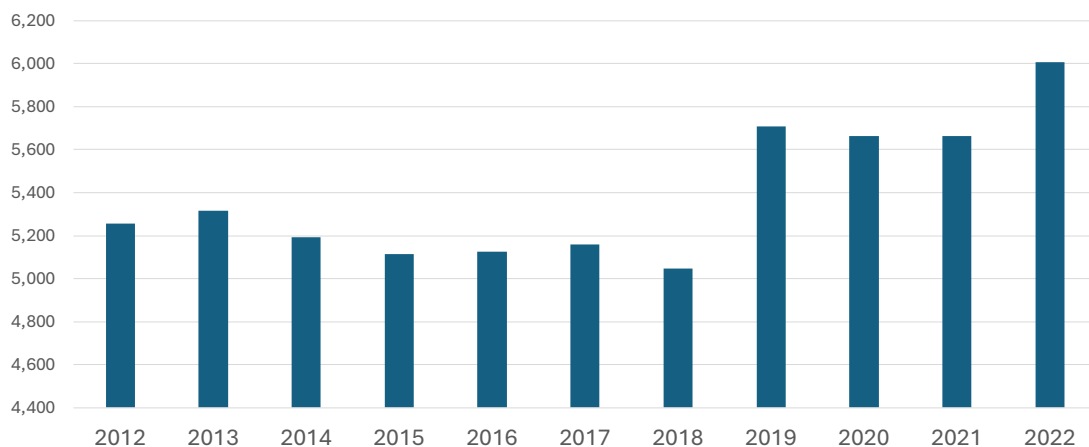


The economic projections are estimated with the use of BBER’s policy analysis model, which has been designed and calibrated for this purpose. The REMI model, leased by BBER from Regional Economic Models, Inc., is one of the best known and most respected analytical tools in the policy analysis arena, and has been used in more than 100 previous studies as well as in dozens of peer-reviewed articles in scholarly journals. The model captures the connections between spending, revenues, and employment at Montana banks and the broader regional and state economies.

The Montana Banking Industry

There has been substantial growth in the banking industry in Montana since the end of the previous decade, as measured by employment. As recorded by the U.S. Bureau of Labor Statistics, the number of employees as Montana’s commercial banking (NAICS 52211) facilities was up by nearly 1,000 jobs in 2022 from levels five years previously. This 19 percent growth in employment coincided with a time of strong growth in population, construction, and real estate activity.

Figure 3.3 Employment, Commercial Banks, Montana 2012-2022

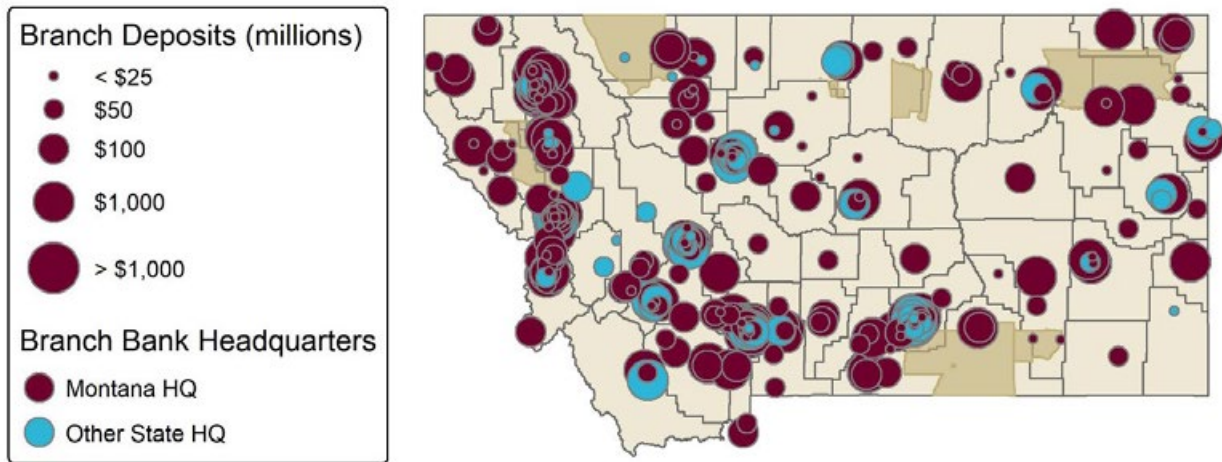


Source: U.S. Bureau of Labor Statistics

There were 50 banking organizations serving Montana with a physical presence in the state in 2023. This included banks headquartered in Montana that also serve other states (4 banks), those headquartered outside Montana with facilities here (11), and those whose facilities are solely within the state (35). BBER was able to collect operations data for the year 2023 from 42 banks, who collectively employed just under 6,000 employees in that year, representing the preponderance of activity in the industry as a whole.

One of the distinctive aspects of the banking industry is its geographic diversity. While banking is, of course, bigger in the more populous, urbanized areas of the state, banks have an important presence in smaller communities and in American Indian reservations across the state as well, as shown in Figure 3.4. As measured by deposits, the size of the 372 separate bank offices across the state for both Montana-headquartered and other banks is more apparent for the more populous western portion of the state. But eastern Montana has a significant presence as well, causing the economic contributions of the banking industry to have significance outside of the state’s urban areas.

Figure 3.4 Montana Bank Branch Locations by Deposits and by Location of Headquarters



The data gathered from participating banks was used to produce a hypothetical “no bank” scenario for the state economy as part of this analysis. This is a method of assessing the industry’s economic contribution, measured as the difference in economic activity that occurs when the economic flows due to banking operations are no longer present.

The Economic Contributions of the Montana Banking Industry

A key finding of this analysis is the magnitude and scope of the economic contributions of the operations of the banking industry in Montana. The summary impacts reflect this – specifically the finding that while the employment of the banks included in our analysis employed just under 6,000 workers, the impact of removing banks from the economy leads to a loss of a much larger number of jobs.

It is useful to explore the results of the analysis in greater detail to gain further insights into how and why the economic contributions of banks go beyond the employment and spending of banks themselves.

Employment Impacts

The larger economy that results from the presence of banking operations has more jobs than an economy without those operations. But, as is clear from Table 3.2, a majority of the jobs that exist in the economy today because of banks are outside of the industry. The jobs are the result of the spending across the economy that is ultimately due to the presence of banks.

The disaggregation of the total employment impacts of banking operations by major industry gives a clearer picture of how the spending directly associated with those operations propagates throughout the economy as a whole. Aside from the jobs of the banking industry itself, which are the biggest part of the total, there are significant numbers of new jobs in construction, retail trade, health care, and accommodations and food services reported in Table 3.2.

Table 3.2 Employment Impacts by Industry

Industry	Impact
Construction.....	1,319
Manufacturing.....	123
Banking.....	5,867
Retail Trade.....	1,359
Transportation and Warehousing.....	148
Professional and Technical Services.....	746
Administrative and Waste Services.....	522
Health Care and Social Assistance.....	1,005
Arts, Entertainment, and Recreation.....	170
Accommodation and Food Services.....	1,270
Other Services, except Public Administration.....	646
Other.....	3,361
Total	16,536

These jobs come about through at least three mechanisms. The first are jobs supported by the spending of banks on products and services – including tax payments that support government jobs. To the extent that this spending is received by businesses and governments within the state, it supports jobs and further spending across sectors of the economy. The second mechanism is similar and pertains to the spending of bank employees on products and services provided by other Montana businesses and governments.

The third way in which banking economic contributions spread across the economy and support jobs in seemingly unrelated industries has to do with the broader effects set in motion by the first two mechanisms just described. There are second round impacts that occur as those who receive the spending of banks and their employees, in turn, spend additional money on workers and vendors. The increased economic opportunities from a larger marketplace attract new business investment, as well as new people attracted by better employment opportunities.

Personal Income Impacts

The spread of job impacts across industries is better understood when one examines the fuel for the spending that supports the new jobs. The additional earnings that are received by Montana households annually because of the presence of banking operations, detailed in Table 3.3, reveal a sizable increase in household spending power. Because of the presence of banks in the economy, households receive in aggregate \$1.3 billion more in personal income, of which \$1.1 billion is after-tax income available for spending in the local and state economy.

Table 3.3 Personal Income Impacts, Millions of Dollars

Category	Impact
Total Earnings by Place of Work	\$1,225.6
Total Wage and Salary Disbursements.....	946.9
Supplements to Wages and Salaries.....	228.2
Employer contributions for employee pension and insurance funds.....	146.5
Employer contributions for government social insurance.....	81.7
Proprietors' income with inventory valuation and capital consumption adjustments.....	50.5
Less:	
Contributions for government social insurance.....	171.7
Employee and self-employed contributions for government social insurance.....	90.1
Employer contributions for government social insurance.....	81.7
Plus:	
Adjustment for residence.....	(3.9)
Gross In.....	30.0
Gross Out.....	33.9
Equals: Net earnings by place of residence	\$1,050.0
Plus:	
Property Income.....	166.9
Dividends.....	63.9
Interest.....	71.0
Rent.....	32.0
Personal Current Transfer Receipts.....	125.1
Equals: Personal Income	\$1,341.9
Less:	
Personal Current Taxes.....	193.3
Equals: Disposable Personal Income	\$1,148.6

Even though the largest portion of the increased income to households comes from increased earnings – income due to employment – there is also a rise in dividends, interest and rent because of banking operations, amounting to almost \$170 million annually. This comes about because a larger economy has more property income as well, due to higher levels of financial and real estate wealth.

Output Impacts

A different aspect of the economic contribution of Montana’s banks is the impact of operations on the revenue of businesses and non-business organizations. Revenue across the economy sees significant impacts from the presence of banking operations. Economic output in this report is defined as gross receipts for business and non-business organizations, with the exception of wholesale and retail trade businesses, where markup is used instead. These output impacts across major industries, shown in Table 3.4, show considerable propagation of the spending and production of Montana banks to industries with no direct connection to their operations.

Table 3.4 Output Impacts, Millions of Dollars

Industry	Impact
Construction.....	215.2
Manufacturing.....	24.0
Banking.....	2,339.9
Retail Trade.....	193.2
Transportation and Warehousing.....	11.0
Professional and Technical Services.....	133.7
Administrative and Waste Services.....	63.3
Health Care and Social Assistance.....	168.3
Arts, Entertainment, and Recreation.....	12.8
Accommodation and Food Services.....	100.1
Other Services, except Public Administration.....	53.0
Other Private.....	392.6
Government.....	293.9
TOTAL.....	\$4,000.9

More than half of the \$4 billion in increased economic output in an economy that includes banks comes from the increased output of the banking industry itself. The more uneven distribution of output impacts across industries, compared to the employment impacts shown in Table 3.2, reflects differences in the capital intensity and productivity across the different sectors.

The economic output impacts show how seemingly unrelated businesses ultimately benefit from the presence of banks. While the impacts shown in Table 3.4 are statewide, these kinds of connections are especially important in smaller communities. Health care businesses, for example, see \$168.2 million in revenues because of banking operations. Construction companies realize \$215.2 million in additional business. These impacts recur each year.

State Revenue Impacts

A larger economy has higher revenues for state government. In this analysis, we consider revenue impacts from taxes as well as from other sources, such as transfers from the federal government. The categories of revenue shown in Table 3.5 are those used by the Census of Governments. Some of the categories of revenue, such as insurance trust revenue directed to retirement plans, are earmarked for specific uses. Others, such as personal income tax receipts, flow to the state’s general operating fund and are thus available for any purpose.

The drivers of the revenue impacts shown in the table depend on the nature of the revenue, but most revenues are driven by population, income, and spending. The larger economy that comes about with the presence of banking operations grows the base for these tax and non-tax revenues.

Table 3.5 State Revenue Impacts, Millions of Dollars

Category	Impact
Intergovernmental Revenue.....	86.1
Selective Sales Tax.....	25.1
License Taxes.....	6.1
Individual Income Tax.....	52.3
Corporate Income Tax.....	9.5
Other Taxes.....	14.1
Current Charges.....	19.2
Miscellaneous General Revenue.....	15.5
Utility Revenue.....	1.5
Liquor Store Revenue.....	3.6
Insurance Trust Revenue.....	140.9
Total	\$374.0

Population Impacts

The increased economic opportunity for both investment and employment that comes about with the operations of banks has an important impact on population. The improved economic opportunities in a larger economy that includes banks induces some people to move to Montana. It also helps retain more people who may have otherwise left the state.

Table 3.6 Population Impacts, by Age

Age Cohort	Impact
Ages 0-14.....	5,642
Ages 15-24.....	2,596
Ages 25-64.....	13,627
Ages 65+.....	648
Total.....	22,515

A larger population is caused by increased economic opportunity – but that larger population also creates additional opportunity. This is more people translates into higher demand for locally produced goods and services, which in turn spurs more investment and growth. These impacts are especially noteworthy for their importance in areas of the state that struggle to maintain opportunities and families. As shown in Table 3.6, the population impacts are dominated by those of working age and their children. This has important implications for public schools.

Summary and Discussion

This analysis has revealed that the operations of the 372 separate branches of Montana banks spread across 53 of the 56 counties in Montana supports economic activity that significantly surpasses the revenues, wages and jobs of the banks jobs themselves. While the largest impacts are in the state’s more urbanized, populated regions, the jobs, wages and revenues that are ultimately due to the physical presence of Montana’s 50 banking organizations are felt across the full scope of Montana’s geography.

Specifically, we find that a comparison of the actual economy in Montana to a hypothetical economy where the presence of banks is removed, reveals that Montana banks ultimately support:

- 16,536 jobs across the entire spectrum of industries;
- \$1.3 billion in annual income received by Montana households, of which \$1.1 billion is after-tax income;
- \$4.0 billion in annual gross receipts (economic output) received by business and non-business organizations in Montana;
- An additional \$374 million per year in selected tax and non-tax revenues received by the state each year as a result of the increased size of the economy; and
- A permanent population gain of 22,515 people statewide, supported by the economic opportunities in a larger economy that includes banking operations.

These estimates are based on the actual operating data, as reported to BBER, of the 42 banks that participated in the study. They represent the economic contributions of banking operations only – the value of the business growth and economic vitality that is supported by the services of banks are not included in these estimates. Doubtless their inclusion would make the dollar estimates of contributions immeasurably higher.

These aggregate impacts of banking operations are, of course, the joint product of all of the individual banks, large and small, that have a physical presence in our state. We present summary information on the impacts of banking operations broken out for individual banks in Appendix A.

4. Survey of Banks' Contributions to Local Communities

Introduction to the Survey

One vital aspect of the economic contribution of Montana's banking industry to the State of Montana is a description of the many ways in which banks serve their local communities through charitable contributions, community leadership, and volunteer service. To provide this description the Bureau of Business and Economic Research conducted a survey of banks. The paragraphs that follow present the results of this community involvement survey.

The survey was sponsored by the Montana Bankers Association. The initial sample included 52 banks that were members either of the Montana Bankers Association or the Montana Independent Bankers Association. The survey was administered by the Bureau of Business and Economic Research during the period November 17, 2023, through December 12, 2023. Of the initial sample of 52 banks, contact information for four banks was found to be inadequate. This yielded an eligible sample size of 48 banks. Of these 48 banks 23 responded yielding a response rate of 48% (American Association for Public Opinion Research 2023). This response rate is typical for a rigorously conducted survey with business establishments.

The questionnaire for this survey was developed by representatives of the Montana Bankers Association in collaboration with the Bureau of Business and Economic Research (Dillman, Smyth and Christian 2014). The survey was distributed by an email that asked banks to click on a web link and complete the survey using Qualtrics software (Qualtrics 2022). Nonresponding banks were prompted by email to complete the survey up to three times during the study period. The Bureau of Business and Economic Research conducted analysis of this survey by calculating response frequency tables and estimating measures of central tendency like mean and median (Heeringa, West and Berglund 2017).

Key Survey Results

A brief summary of the key survey findings is presented below. The Bureau of Business and Economic Research found that:

- Montana banks averaged \$504,500 per bank in direct, monetary charitable contributions to the bank's local community during 2023.
- Montana banks provided valuable and extensive in-kind contributions of goods and services to each bank's local community in 2023. These in-kind contributions included participating in a vast array of local community fund-raising activities, providing use of bank facilities to local organizations, providing financial education to communities, and providing fee waivers on bank accounts to local organizations.
- The volunteer service given by bank employees to their local community in 2023 was remarkable. Banks that tracked the information reported an average of 3,200 volunteer service hours provided (per bank) by bank employees to their local community in 2023.
- Bank employees were key volunteers for local community schools in 2023. 35% of banks reported employees serving as volunteers for local schools, and 17% of banks reported employees serving as volunteer school board members.
- Banks across the state performed local community service projects as a part of their regular business activities in 2023. These 2023 projects focused on:
 - providing low-income housing,
 - poverty effects mitigation,

- Native American investment,
- small business investment, and
- supporting Montana’s youth.

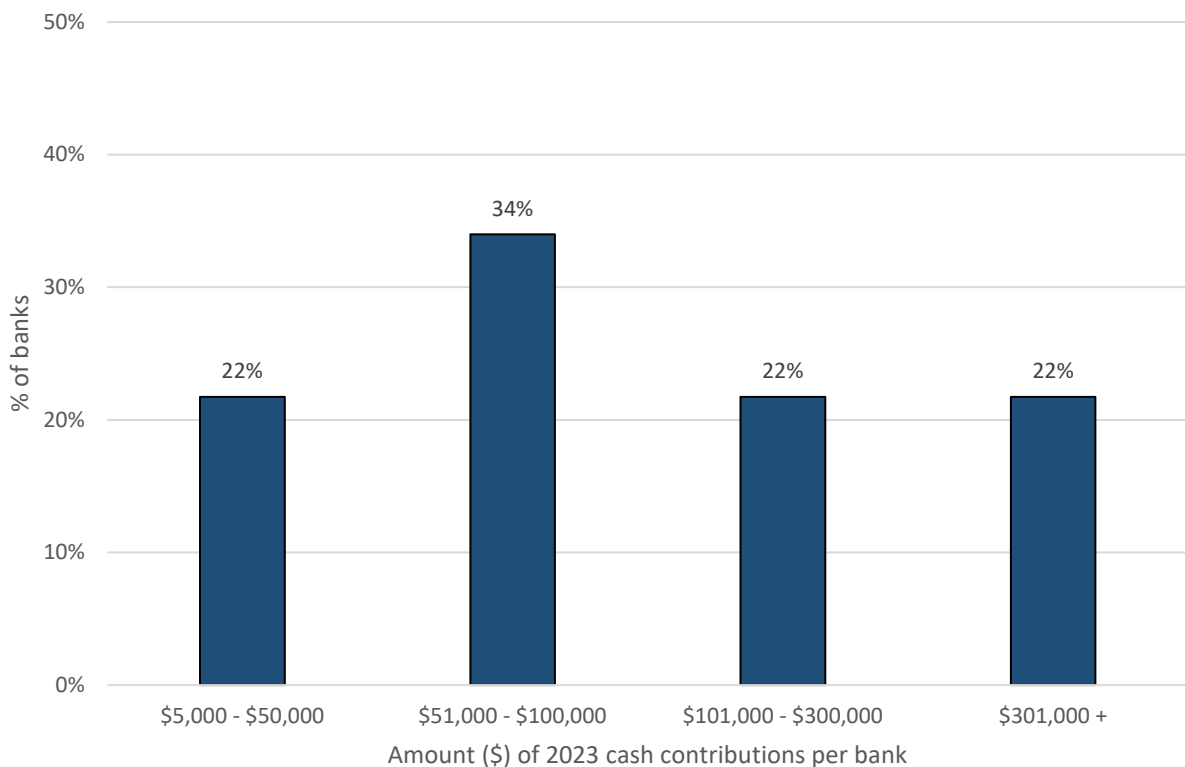
Reading the Detailed Description of the Survey Findings

This following section of the report presents the detailed findings of the community involvement survey. The detailed results are presented in the order that the questions appeared in the questionnaire. The exact questionnaire language is displayed to provide context necessary for understanding responses. After presenting the survey results, the report cites references that underpin the methods used for the survey in the Works Cited section located at the end of the report.

Q1. What is the total dollar amount of direct, monetary contributions your bank(s) gave to your local community over the last year (from November 1, 2022 until the present)?

The 23 responding banks reported a mean total dollar amount of direct monetary (charitable) contributions per bank to the bank’s local community of \$504,500 during 2023. The median total direct monetary contribution per bank was \$100,000. Contributions per bank ranged from \$5,000 to \$5,100,000. The distribution among banks of annual amounts contributed to local communities is illustrated in Figure 4.1 below.

Figure 4.1 Distribution Among Banks of 2023 Cash Contributions to Local Communities (per bank)



56% of banks reported 2023 local contributions between \$51,000 and \$300,000 per bank. 22% of banks reported 2023 contributions between \$5,000 and \$50,000 per bank. Another 22% of banks reported contributions in excess of \$300,000 per bank.

Q2. What in-kind goods or services did your bank(s) give to your local community over the last year (from November 1, 2022 until the present)?

In addition to making direct, monetary contributions to their local communities, all 23 responding banks reported making in-kind contributions to their local communities in 2023 (see **Table**).¹

Table 4.1 2023 In-kind Contributions to Local Communities Per Bank

General category of in-kind good or service	% of banks giving the in-kind good or service	Examples:
General fund-raising activities	35%	<ul style="list-style-type: none"> • Give away items for fundraisers like gift baskets, pictures, food donations, beverages, etc. • Provide labor for local fundraisers • School supply drives, diaper drives
Specific fund-raising events / activities	22%	<ul style="list-style-type: none"> • Alzheimer's Walk in 4 communities • Elder Abuse discussions by the Bank and DPHHS in 2 communities • Free pool day and ice cream for children under 18 years of age • Adopt-A -Family • Neighbors Feeding Neighbors activities • Public document shred days • Clerk and settle 4H livestock sales • Build a school track (track and field) • Fund outings for school children • Project CASA Suitcase drive • Fund billboard use • Collect donations for a children's shelter • Donate office furniture to nonprofit
Answered with dollar value of in-kind contribution	22%	<ul style="list-style-type: none"> • Dollar value estimates of in-kind contributions ranged from \$5,000 per bank to \$70,000 per bank
Providing meeting space or facility use or equipment	17%	<ul style="list-style-type: none"> • Free advertising on bank exterior and / or interior • Provide community room for Toastmasters, Business to Business, real estate agents weekly meetings, various community educational workshops • Free photocopies to community organizations • Free public use of two utility trailers stocked with tables and chairs for use at all types of public and private functions
Financial education	9%	<ul style="list-style-type: none"> • Provide financial education resources • Conduct financial education for community
Fee waivers on accounts	4%	<ul style="list-style-type: none"> • Free checking accounts, waived or low loan origination fees, waived overdraft fees, and exceptions to account opening

¹ Banks could provide more than one response to Q2, so the percentages reported here will not add to 100.

35% of responding banks reported making in-kind contributions through supporting general fundraising activities like supplying give away items for fund-raisers like gift baskets, pictures, food donations, beverages, etc. 22% of responding banks mentioned supporting specific local fund-raising events or activities like:

- An Alzheimer's Walk in four communities,
- Conducting elder abuse discussions by the in two communities, or
- Providing free pool day and ice cream for children under 18 years of age.

17% of responding banks mentioned that the bank provides meeting space, facility use, or equipment for local community members, including providing free advertising on bank exterior and / or interior, or providing a community room for Toastmasters, Business to Business, real estate agents weekly meetings, and various community educational workshops.

9% of responding banks answered that the bank offers financial education to the community by providing financial education resources or conducting financial education classes for the community.

Finally, 4% of responding banks mentioned waiving fees on accounts for local community groups.

Just over one in five responding banks (22%) estimated the total cash value of the in-kind contributions the bank provided to the local community in 2023. The reports of the cash value of the bank's in-kind contributions ranged from \$5,000 to \$70,000 per bank.

Q3. What volunteer labor did employees of your bank(s) do for your local community over the last year (from November 1, 2022 until the present)? Remember to include leadership activities employees of your bank(s) performed for local community organizations.

As broad and extensive in their local communities as the direct cash and in-kind contributions of banks are, the answers to question 3 show that the volunteer efforts of bank employees in their local communities are truly remarkable. One bank alone reported that its employees supported 188 different local community organizations. 35% of responding banks tracked employee volunteer hours provided in 2023. The average number of annual volunteer hours given by bank employees to their community - among the banks that tracked this information - was 3,200 hours per bank, and the median number of hours provided was 1,500 per bank.

BBER identified 11 broad types of local organizations served by the volunteer efforts of bank employees. However, almost three-quarters of responding banks (74%) identified other local organizations served by volunteer bank employees that fall outside the categories identified. Clearly, the description of types of local organizations served by volunteer bank employees listed in Table 4.24.2 below only scratches the surface.²

Responding banks most often (35% of responding banks) reported bank employees volunteering to support local school programs like:

- Conducting school workshops,
- Judging high school events,
- Presenting at school career days, or
- Serving as a school event concessions worker.

An additional 17% of responding banks reported that at least one of their employees served as a local school board member. Bank employee support for local school programs combined with bank employee

² Banks could provide more than one response to Q3, so the percentages reported here will not add to 100.

service on local school boards demonstrates that local bank employee support of local schools is substantial.

Bank employees also provide volunteer local community leadership as hospital board members (17% of reporting banks), local Chamber of Commerce members (26% of reporting banks), sports coaches and board members (26% of reporting banks), and members of Kiwanis, Elks, or Lions Club (21% of reporting banks).

Finally, it is noteworthy that 13% of reporting banks mentioned that at least one of employee serves their local community as a volunteer firefighter or volunteer emergency medical technician (EMT).

Table 4.2 Local Organizations Served by Volunteer Bank Employees in 2023

General category of local organization served by bank employee volunteers	% of banks serving the type of local organization	Examples:
Local school programs	35%	<ul style="list-style-type: none"> • School workshops • Judging high school events • Presenting at school career days • School event concessions worker
Sports, coaches	26%	<ul style="list-style-type: none"> • Little League president • Bull riding board member • Basketball coach
Chamber of Commerce	26%	<ul style="list-style-type: none"> • Local chamber president • Local chamber member
Kiwanis, Lions, Elks, etc.	21%	<ul style="list-style-type: none"> • Optimist club member • Exchange club member • Rotary club member
Church-related	17%	<ul style="list-style-type: none"> • Church board member • Samaritan food pantry worker
Hospital boards	17%	<ul style="list-style-type: none"> • President of hospital foundation • Board member
School boards	17%	<ul style="list-style-type: none"> • Board member
Economic development	13%	<ul style="list-style-type: none"> • Director of local economic development organization • Board member of local economic development organization
Emergency services	13%	<ul style="list-style-type: none"> • Volunteer firefighter • Volunteer EMT
4H	9%	<ul style="list-style-type: none"> • 4 H leader
Financial education	9%	<ul style="list-style-type: none"> • Financial education provider • Financial counseling provider
Other organizations	74%	<ul style="list-style-type: none"> • Local arts council member • Local library board member • Biweekly radio talk show presentation • Scholarship board member • Non-profit secretary / treasurer positions • July 4th celebration committee member

Q4. Are there specific, noteworthy community projects performed by your bank(s) over the last year (from November 1, 2022 until the present) that you would like to highlight?

About 60% of responding banks chose to highlight a community service project(s) performed by the bank over the last year. These highlights are provided in Table 4.3 below. Notable themes among these projects include:

- a substantial focus on low-income housing,
- poverty effects mitigation,
- Native American investment,
- small business investment, and
- supporting Montana’s youth.

Table 4.3 Local community service project highlights in 2023

<p>\$1.7 million committed through the bank's Invest Native initiatives, \$2.1 million to support small business through Montana's Community Development Financial Institutions (CDFIs), and \$1.3 million in philanthropic giving to support housing, small businesses, financial health, and sustainability.</p>
<p>\$10,000 of support to permanent endowments qualifying for Montana Endowment Tax Credits and financial support of all food banks in our area.</p>
<p>AWARE Assist project that raised \$15,090 for the AWARE program state-wide, Gallatin Housing Impact Fund \$500,000 investment to support affordable housing projects in the greater Gallatin Valley, Montana Heritage Center Donation \$50,000 donation, Opportunity Housing Fund LLC subsidiary to be used for investing in affordable housing projects. Three affordable housing projects \$9M invested.</p>
<p>Company-wide Volunteer Day in September - closed every branch for community service.</p>
<p>Contributed \$15,000 to place a life size bronze on the courthouse lawn of Teddy Blue Abbot on a horse herding cattle.</p>
<p>Food drives, Festival of Trees, clothing drives, educational seminars.</p>
<p>Highlander track, United Way sponsor, snack program for schools, Princess Ball sponsor.</p>
<p>Low Income Housing Tax Credit projects across Montana.</p>
<p>Ongoing support of our local 4H organization. We assist with the local county 4H Fair which includes weighing in livestock, clerking the 4H livestock sale and settling the 4H livestock sale. We received a Meritorious Service Award from Garfield County 4H in 2023.</p>
<p>Optimist club helped host regional conference.</p>
<p>Working with Prospera (a community-centered economic development organization).</p>
<p>Raising funds to build a new Boys and Girls Club and community center.</p>
<p>This year for 4-H market sales we provided a \$75 add-on to over 60 youth participants instead of buying a few animals for the same amount of money and not "touching" as many youths in our area. Majority of the bank staff became CPR certified through the local fire department course.</p>
<p>We give \$90,000 in scholarships each year, which are paid out to each student over 2 years. 1 student per market and then 1 employee dependent student is awarded a scholarship independent of market. We have given over \$1M since the program began in 2001. We opened it up to home schooled kids about 4 or 5 years ago and put a focus on students who usually get overlooked.</p>

Q5. Were there any other Community Reinvestment Act - reportable activities performed for your local community by your bank(s) over the last year (from November 1, 2022 until the present) that you can think of?

Question 5 offered banks the chance to mention additional community service activities that the bank considered important. About half of responding banks (52%) chose to report additional Community Reinvestment Act – reportable activities. The activities reported focus on many of the themes highlighted in Q4, for example:

- low-income housing projects,
- food bank and hunger mitigation activities, and
- donations to a youth organization.

One service provided by a bank is probably not well known but is worthy of recognition. This bank provides Developmental Disabilities Administration Account services for a money service business in a tribal underserved area. Table 4.4 below presents all of the activities described by banks in Question 5.

Table 4.4 Other Community Reinvestment Act reportable activities in 2023

\$106 million of Community Reinvestment Act eligible loans.

Bitterroot Valley Apartments LP Low Income Housing Tax Credit project \$5,363,504. Timber Ridge Apartments (LIHTC) \$6,250,000. Opportunity Housing Fund LLC subsidiary created to provide investment opportunities in affordable housing projects - \$9M committed. Purchase of equity equivalent investment products (EQ2 investments) to benefit affordable housing Community Development Financial Institutions (CDFIs). Family Promise of Gallatin Valley \$5.4M to purchase a multi-tenant property for 21 units for short-term housing for homeless families, 10 units for transitional housing, and 14 units for workforce housing plus classroom facilities to be used for financial education, parenting classes and support groups.

Boys and Girls Club donations.

Developmental Disabilities Administration Account services for a money service business in a tribal underserved area.

Donation to Big Sky Economic Development Administration for community loan program.

Financial Education, Board Service, Volunteerism, Sound the Alarm with Red Cross in Browning, Neighbors Feeding Neighbors Activities to combat hunger and the time was matched financially by the bank's foundation.

Food bank volunteering.

Gallatin Housing Impact Fund.

We lend money in all areas of our communities, too much to keep track of and we really don't have time to keep track of all of it. Building remodels, rental improvements, purchases, development, you name it...

We provide many small business loans in our community.

We try to offer products and services that "help" community members, such as...financing mobile homes to assist with affordable housing where very few competitors will even offer such products, etc.

With the various different groups and organizations our employees provided over 1800 hours of volunteer time to various reportable Community Reinvestment Act activities.

Conclusion

The results of the survey demonstrate that Montana's banking industry makes key contributions to the State of Montana in the form of the many ways in which banks serve their local communities. Montana banks averaged \$504,500 per bank in direct, monetary charitable contributions to the bank's local community during 2023. In addition, Montana banks provided valuable and extensive in-kind contributions of goods and services to each bank's local community in 2023. Finally, the volunteer service given by bank employees to their local communities in 2023 was remarkable. Banks that tracked the information reported an average of 3,200 volunteer service hours provided (per bank) by bank employees to their local community in 2023.

5. Conclusion

Banking and finance are at the core of economic growth and prosperity. The central role of the banking industry – in providing capital to business to fuel their growth, in providing a safe haven for assets, in helping to finance obligations for activities with lumpy cash flows, and in operating an international payment system without peer – is why banking has always been a key focus of economic policy.

The importance of banks, if anything, grows when the focus shifts to individual communities, where their physical presence consistently serves as part of the bedrock for the vitality of the local businesses and households they serve. Banks are important businesses in their own right, offering high quality, good paying jobs, purchasing goods and services from local vendors, and paying taxes to local governments. Those economic contributions are particularly noteworthy in the less urbanized parts of Montana where comparable businesses are harder to sustain.

Banks are also an important part of the social fabric of the communities in which they operate. Bank employees almost everywhere have outsized impacts through their social leadership, memberships in social organizations, contributions to charities and other philanthropic activities, and volunteer efforts in the places where they live and work.

This report presents an assessment of how Montana banks ultimately contribute to the vitality – both economic and social – of communities across the state. Here are some of the key findings of the research:

- There are 50 banking organizations serving Montana that have a physical presence in the state, including banks headquartered in Montana that also serve other states (4), those headquartered outside Montana with offices here (11), and those whose offices are completely within the state (35).
- There are 372 separate bank branch offices located across the 54 counties of Montana.
- Taken together, Montana’s banks held \$35.6 billion in deposits in 2023.
- The failure rate of Montana banks in the last 54 years has been very low, totaling just 11 banks since 1970. The last bank failure in the state occurred in 1998. From 1999 to 2023, there have been a total of 581 bank failures across 44 states and territories in the U.S., with none of these failures involving Montana banks.
- BBER collected operating information on 42 banks with a physical presence in Montana who collectively employed just under 6,000 employees who average compensation was \$89,027 per year.
- The BBER analysis of the operations of these banks found that their presence in the state economy ultimately supported:

16,536 permanent, year-round jobs across a wide spectrum of industries,

\$1.3 billion per year in income received by Montana households, of which \$1.1 billion is after tax income available for spending in the local economy,

\$4.0 billion in annual economic output, defined as gross receipts received by business and non-business organizations

\$374 million per year in additional state tax and non-tax revenues due to the larger economy that results from the operations of Montana banks.

- The job and earnings opportunities that are supported by the operations of Montana banks also account for the presence of 22,500 more people in the state who otherwise would live elsewhere.
- Montana banks averaged \$504,500 per bank in direct, monetary charitable contributions to the bank's local community during 2023.
- Montana banks provided valuable and extensive in-kind contributions of goods and services to each bank's local community in 2023. These in-kind contributions included:
 - Participating in a vast array of local community fund-raising activities,
 - Providing use of bank facilities to local organizations,
 - Providing financial education to communities, and
 - Providing fee waivers on bank accounts to local organizations.
- The volunteer service given by bank employees to their local community in 2023 was remarkable. Banks that tracked the information reported an average of 3,200 volunteer service hours provided (per bank) by bank employees to their local community in 2023.
- Bank employees were key volunteers for local community schools in 2023.
 - 35% of banks reported employees serving as volunteers for local schools, and
 - 17% of banks reported employees serving as volunteer school board members.
- Bank employees also provided key volunteer local community leadership in 2023.
 - 26% of banks reported employees serving as local Chamber of Commerce members,
 - 26% of banks reported employees serving as sports coaches or team board members, and
 - 21% of banks reported employees serving as members of Kiwanis, Elks, Lions or other community service clubs.
 - 17% of banks reported employees serving as hospital board members.

In short, Montana banks serve their communities in important ways that are not generally recognized. This report serves as documentation of their continued importance.

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7. Appendix A: Economic Contributions Summary by Bank

The Economic Contributions of Montana's Banking Industry

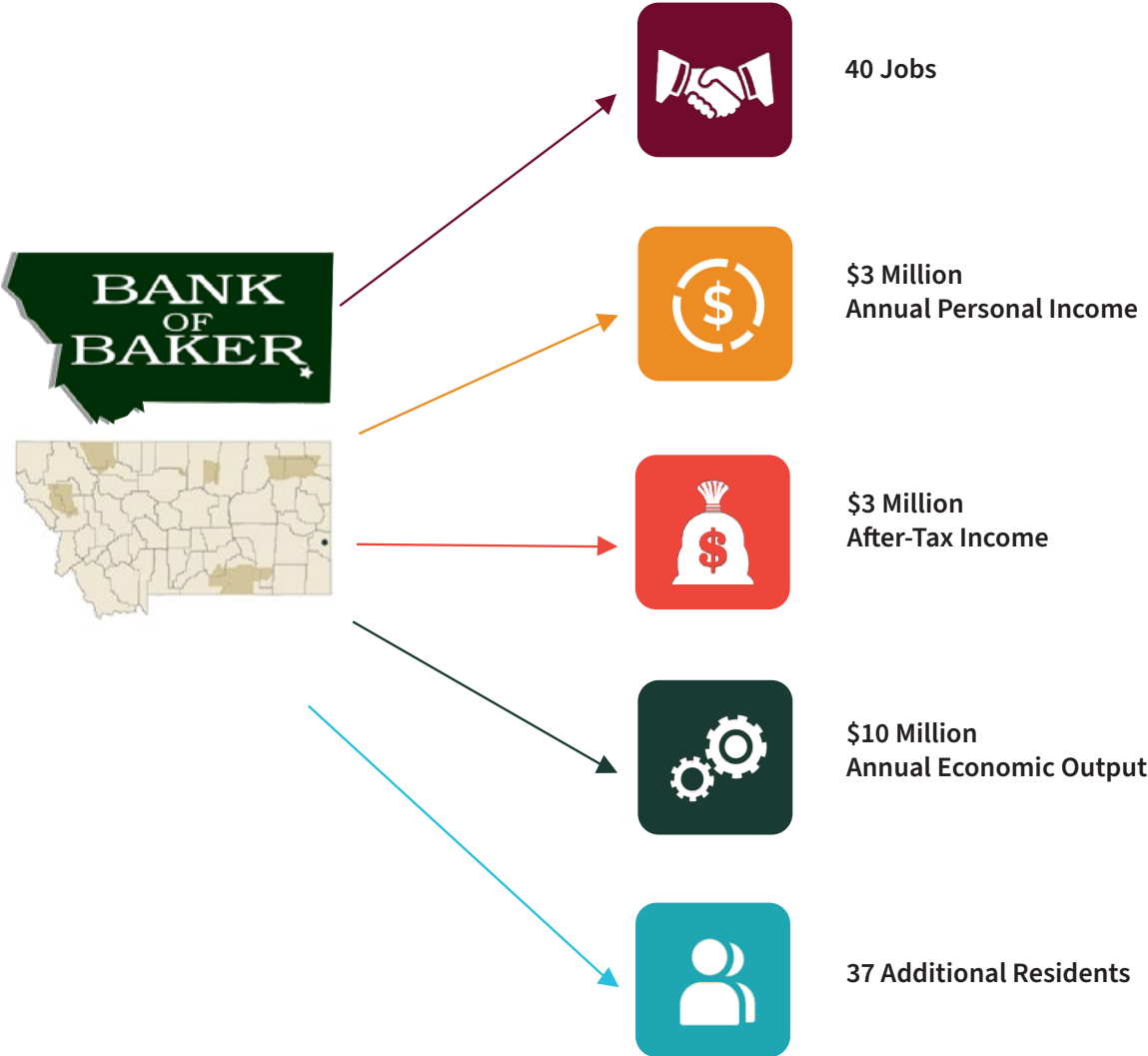
How Farmers State Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

How Bank of Baker Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

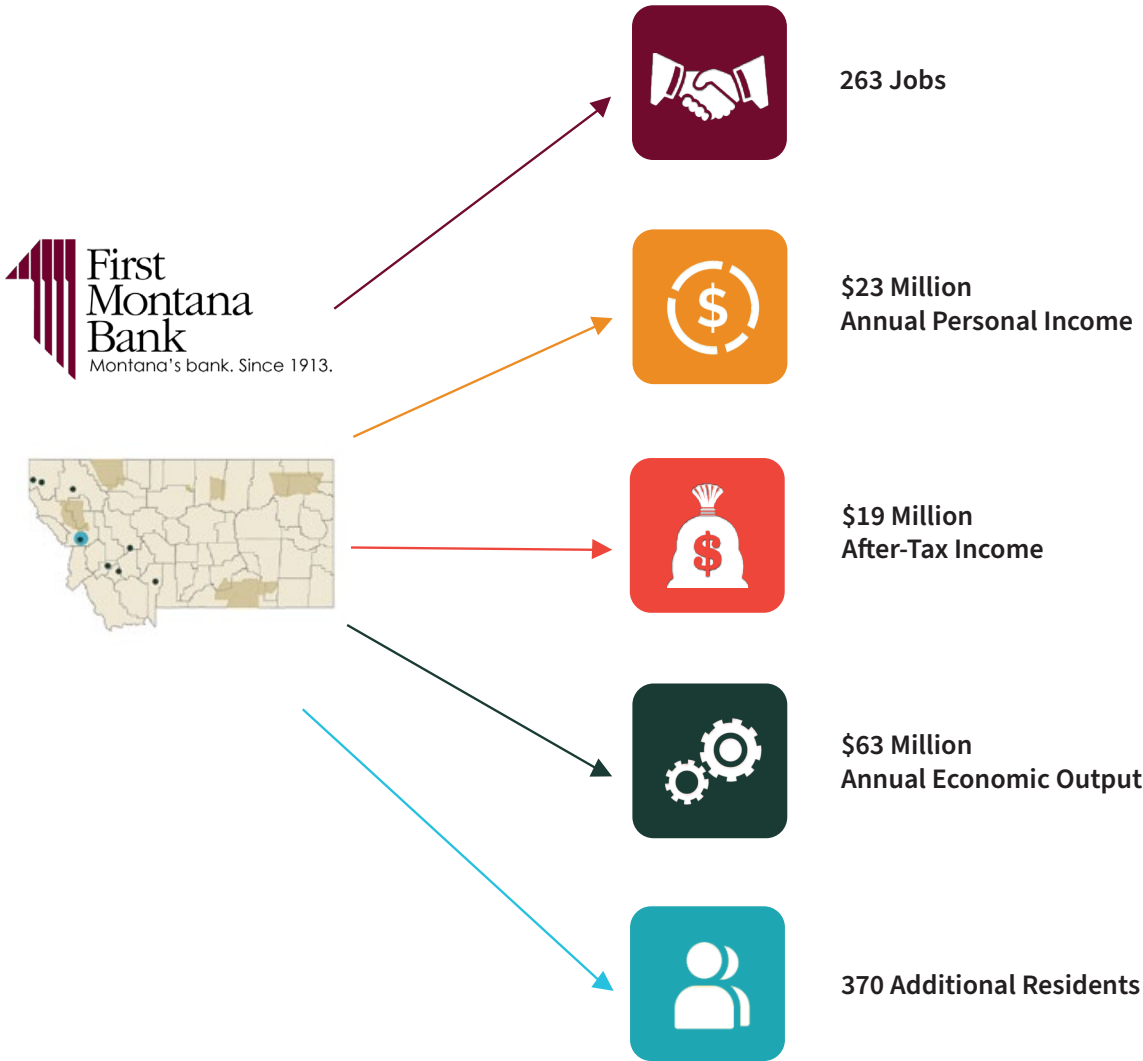
How Stockmens Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

How First Montana Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

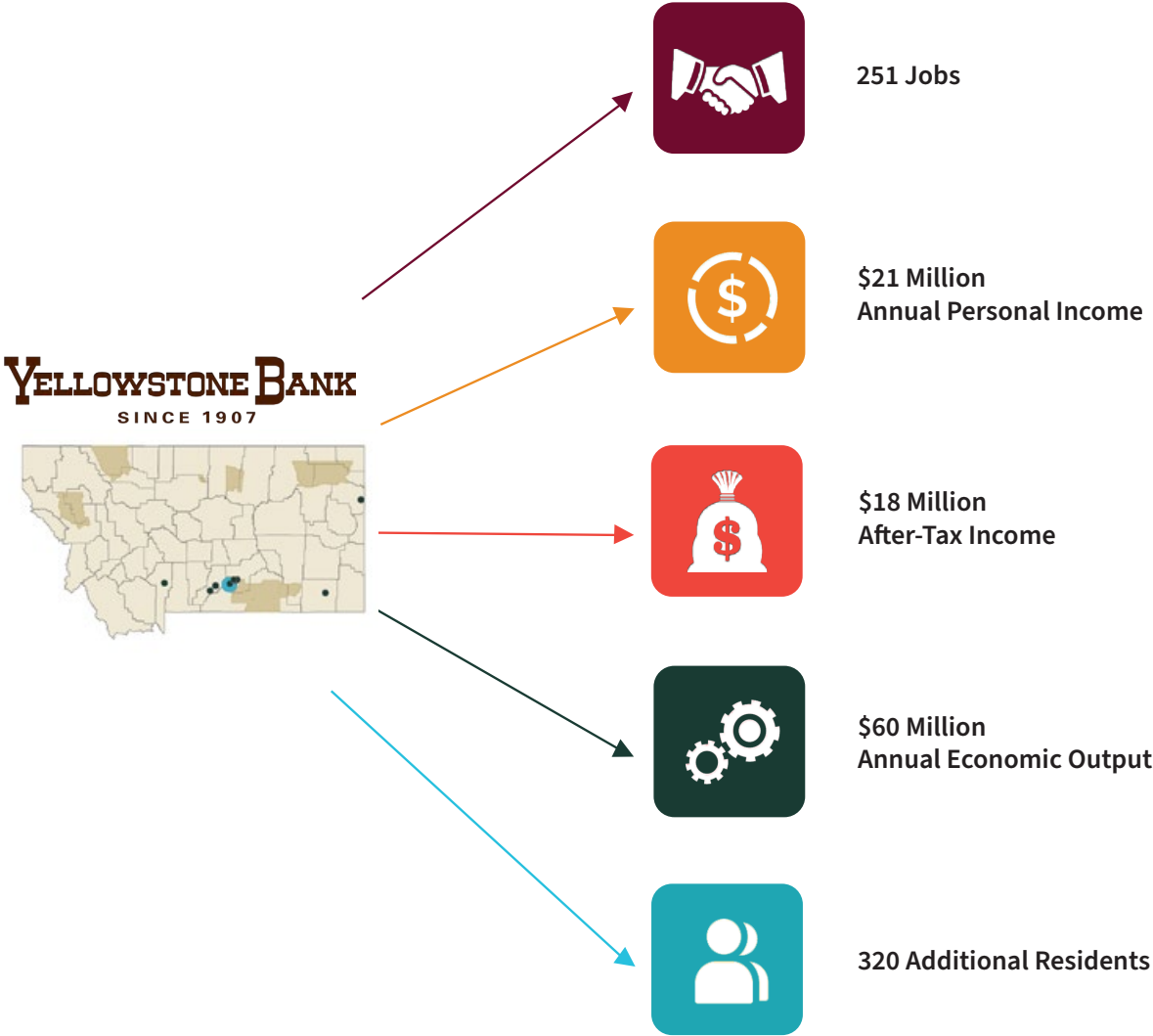
How Citizens Bank & Trust Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

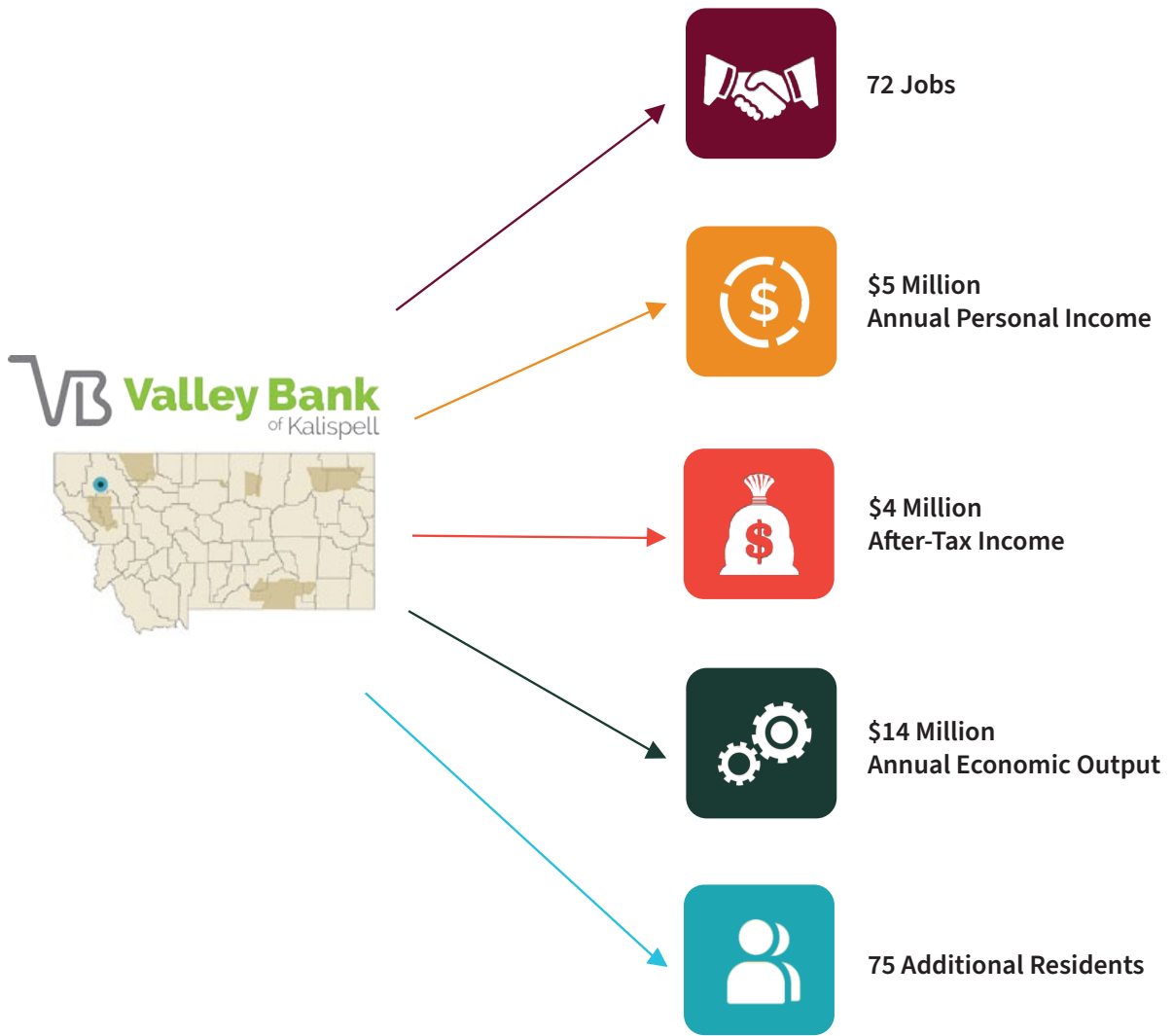
How Yellowstone Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

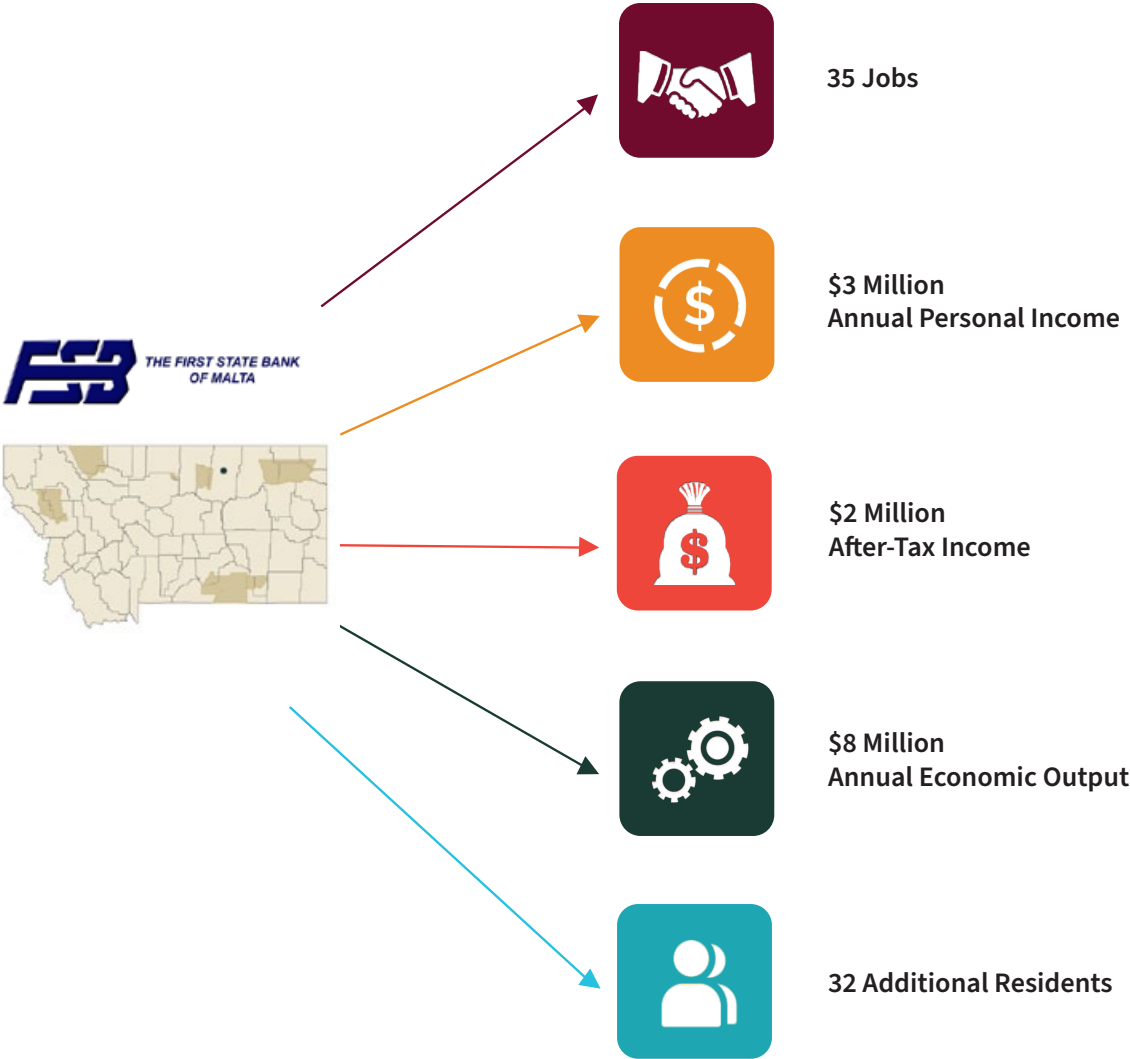
How Valley Bank of Kalispell Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

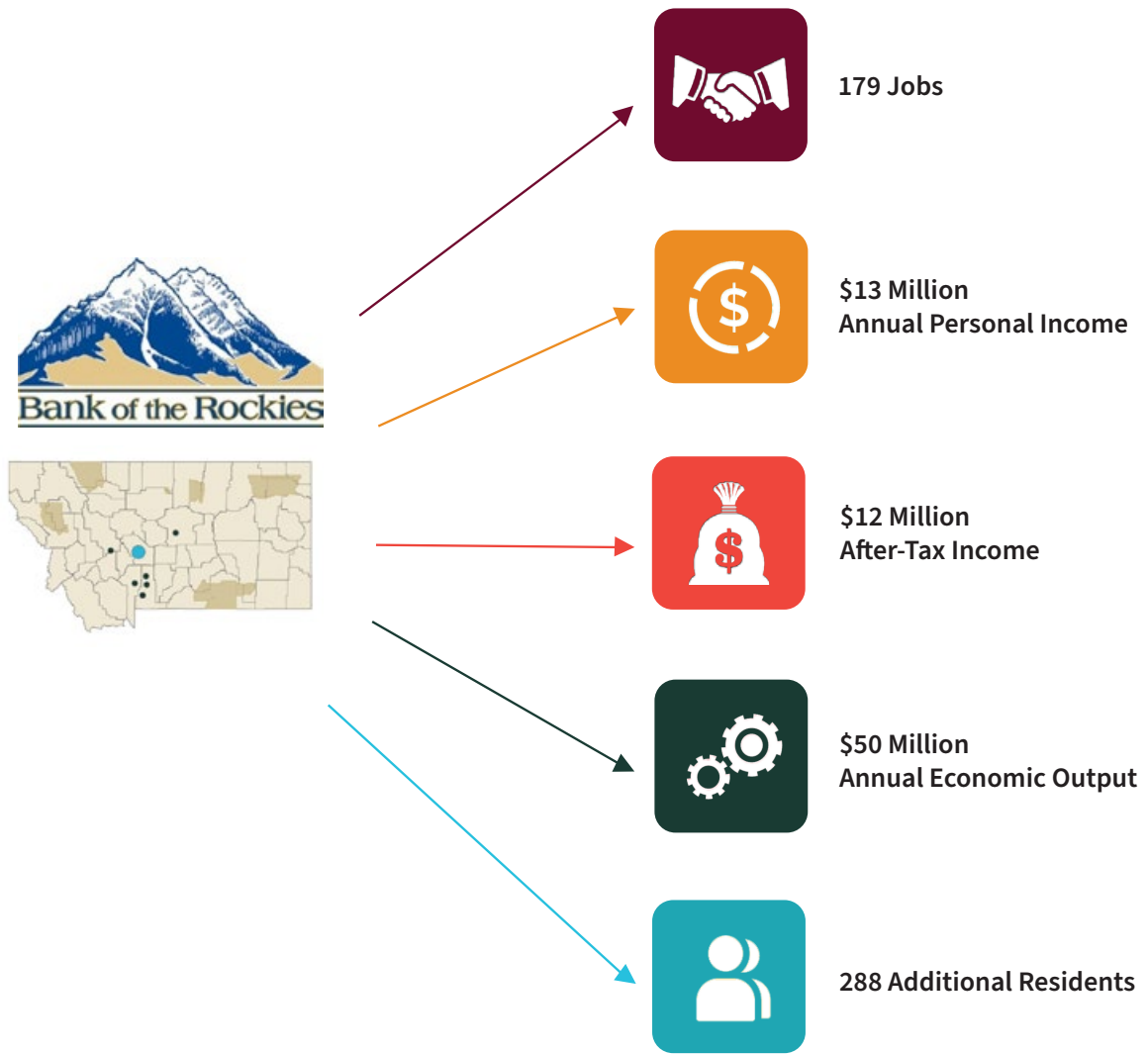
How First State Bank of Malta Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

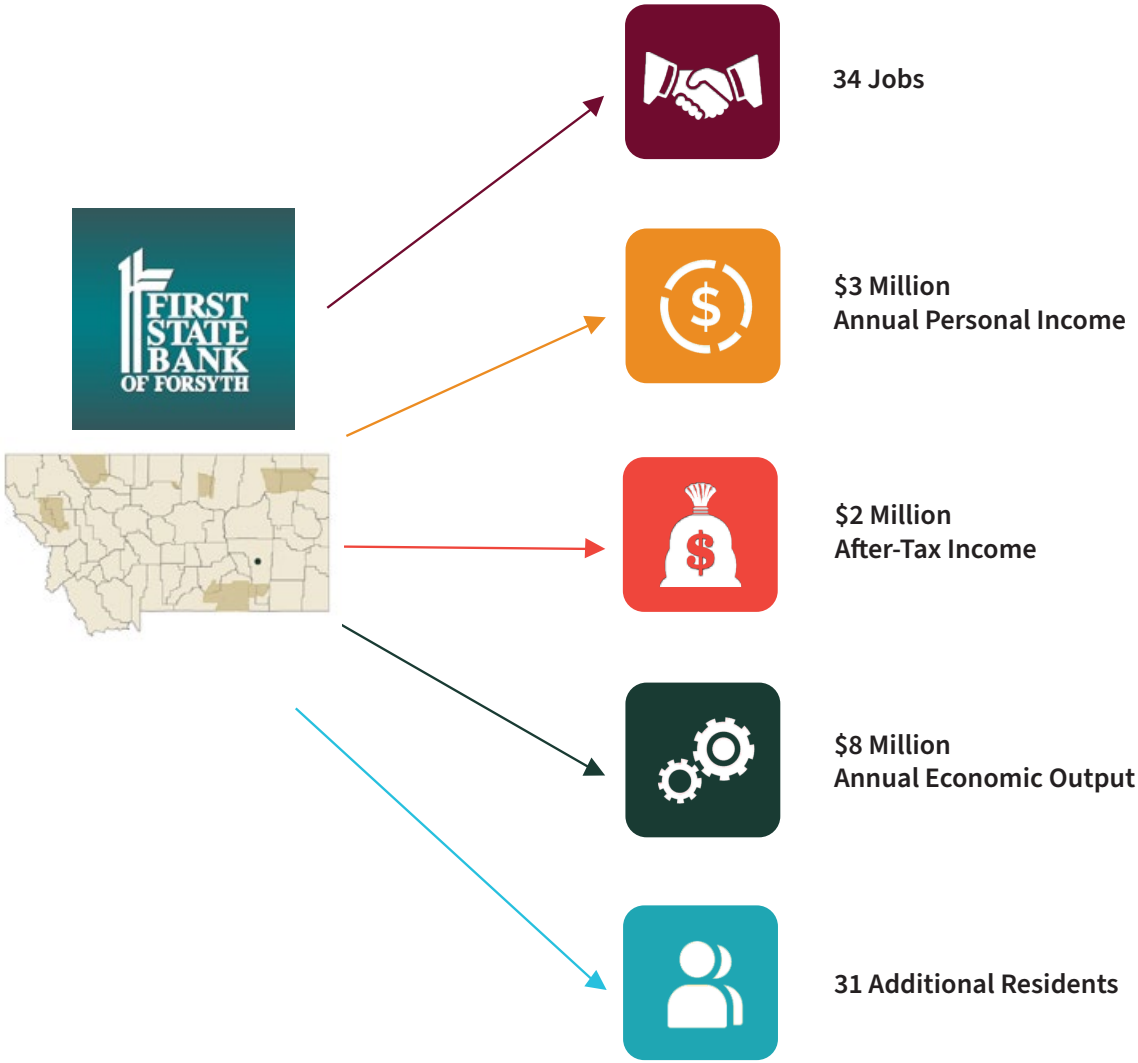
How Bank of the Rockies Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

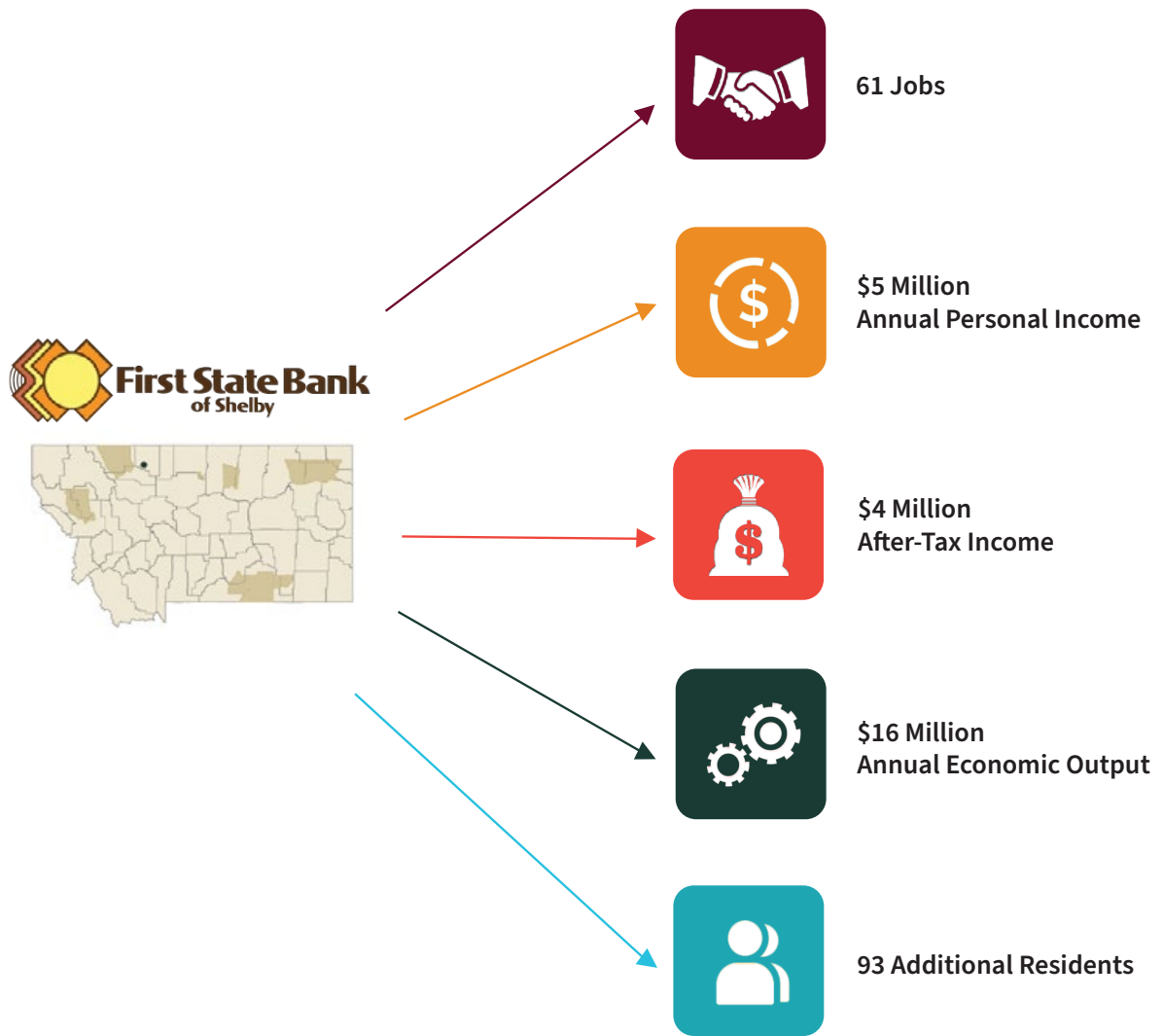
How First State Bank of Forsyth Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

How First State Bank of Shelby Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

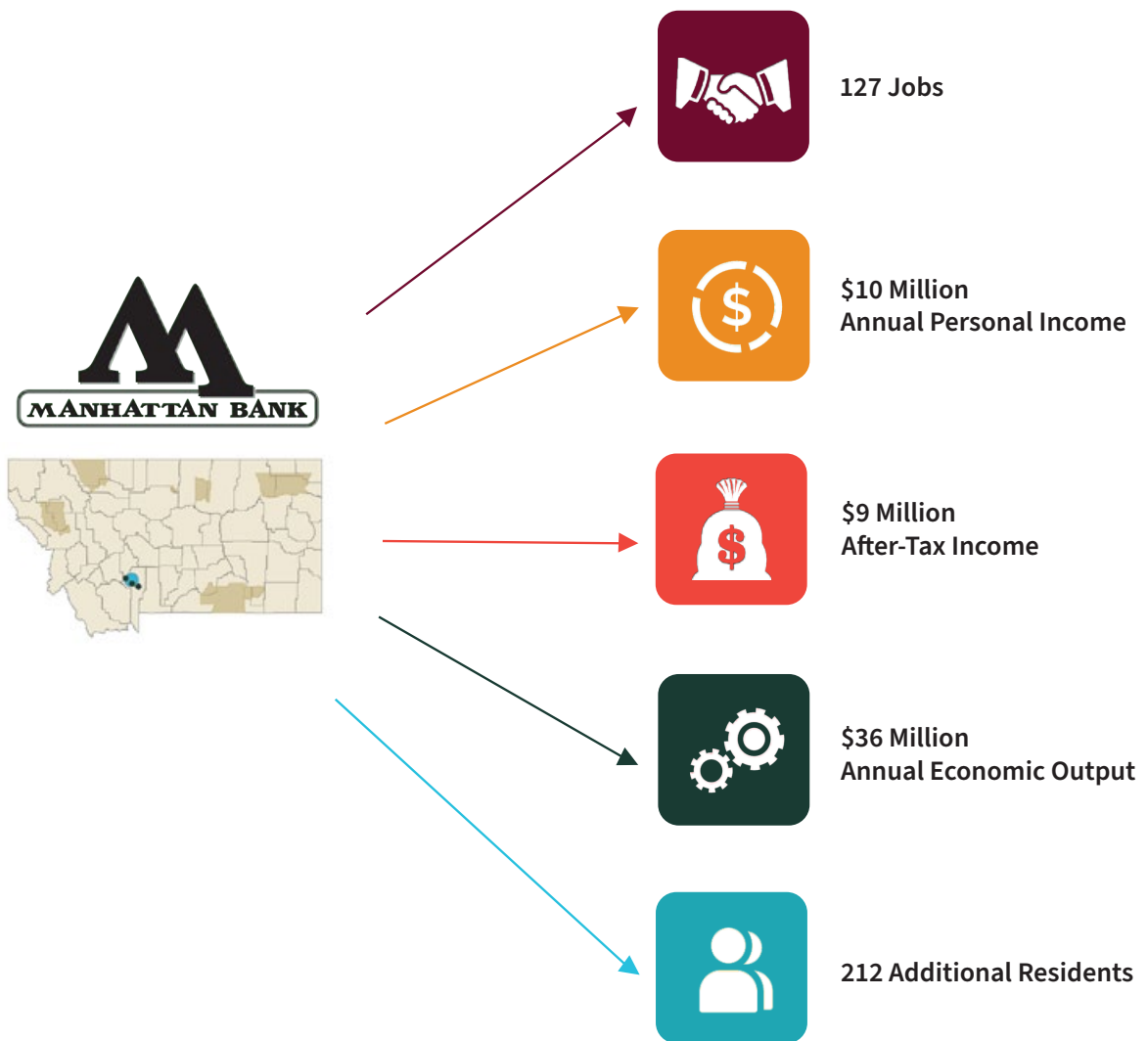
How Little Horn State Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

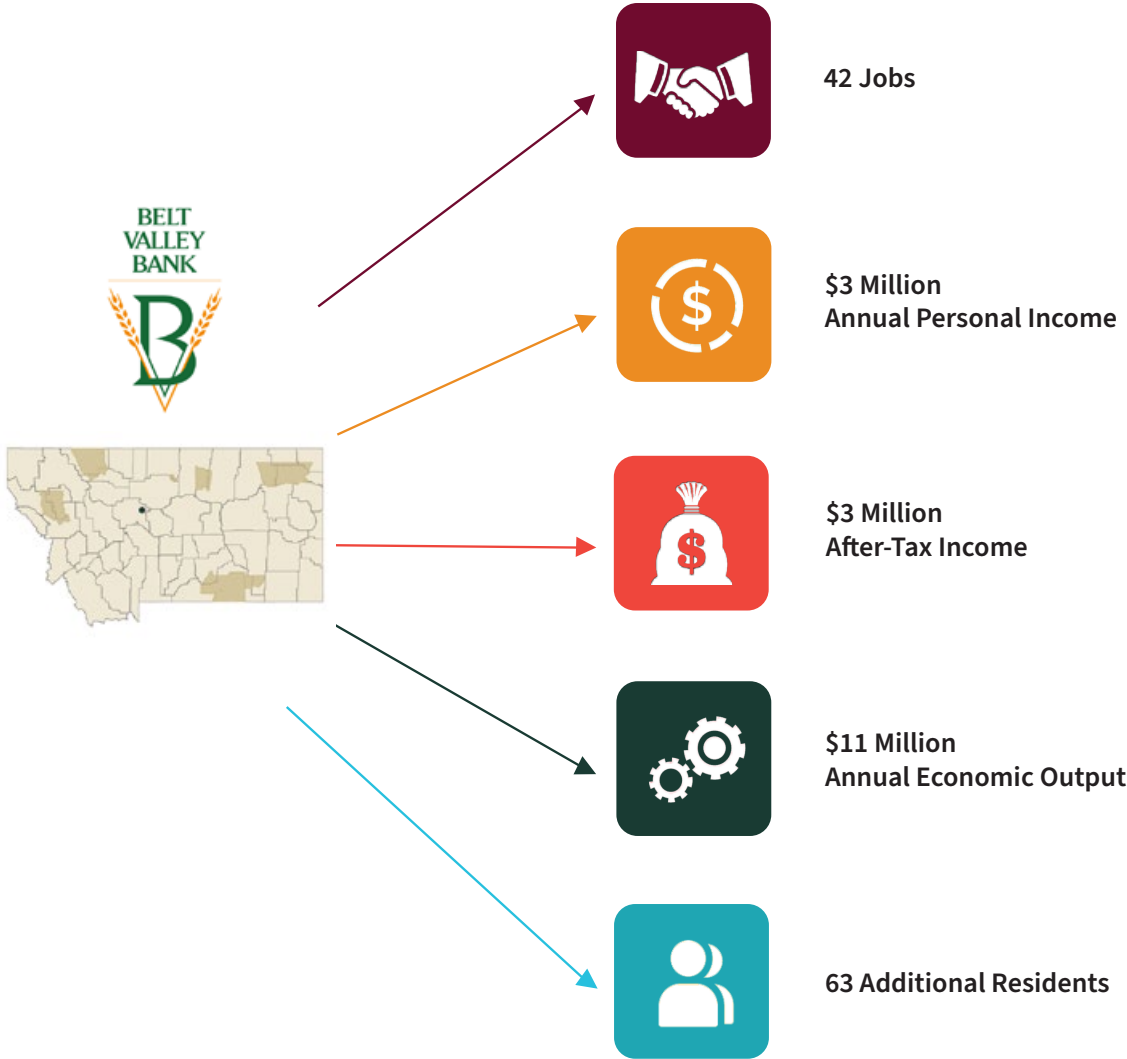
How Manhattan Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

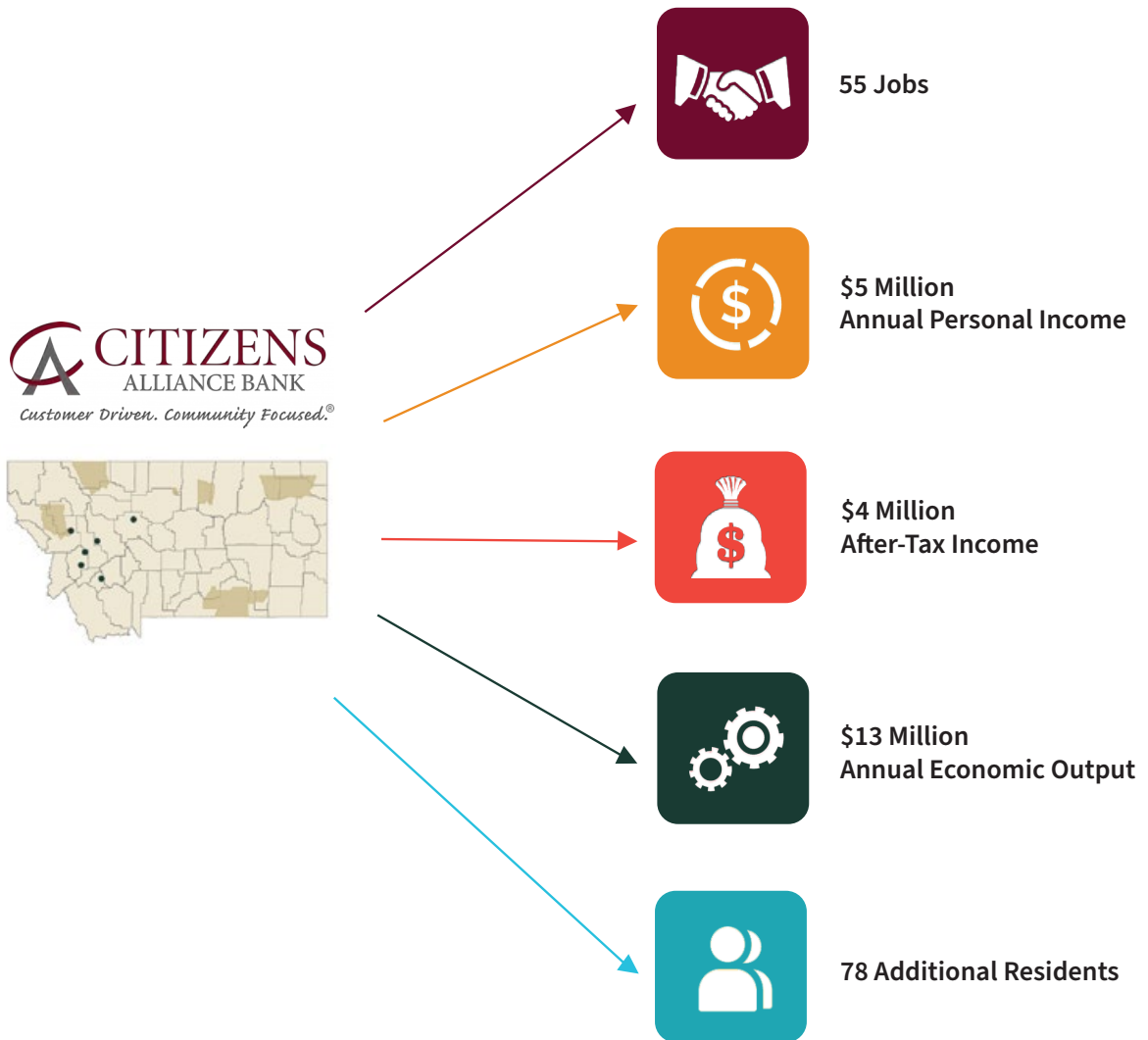
How Belt Valley Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

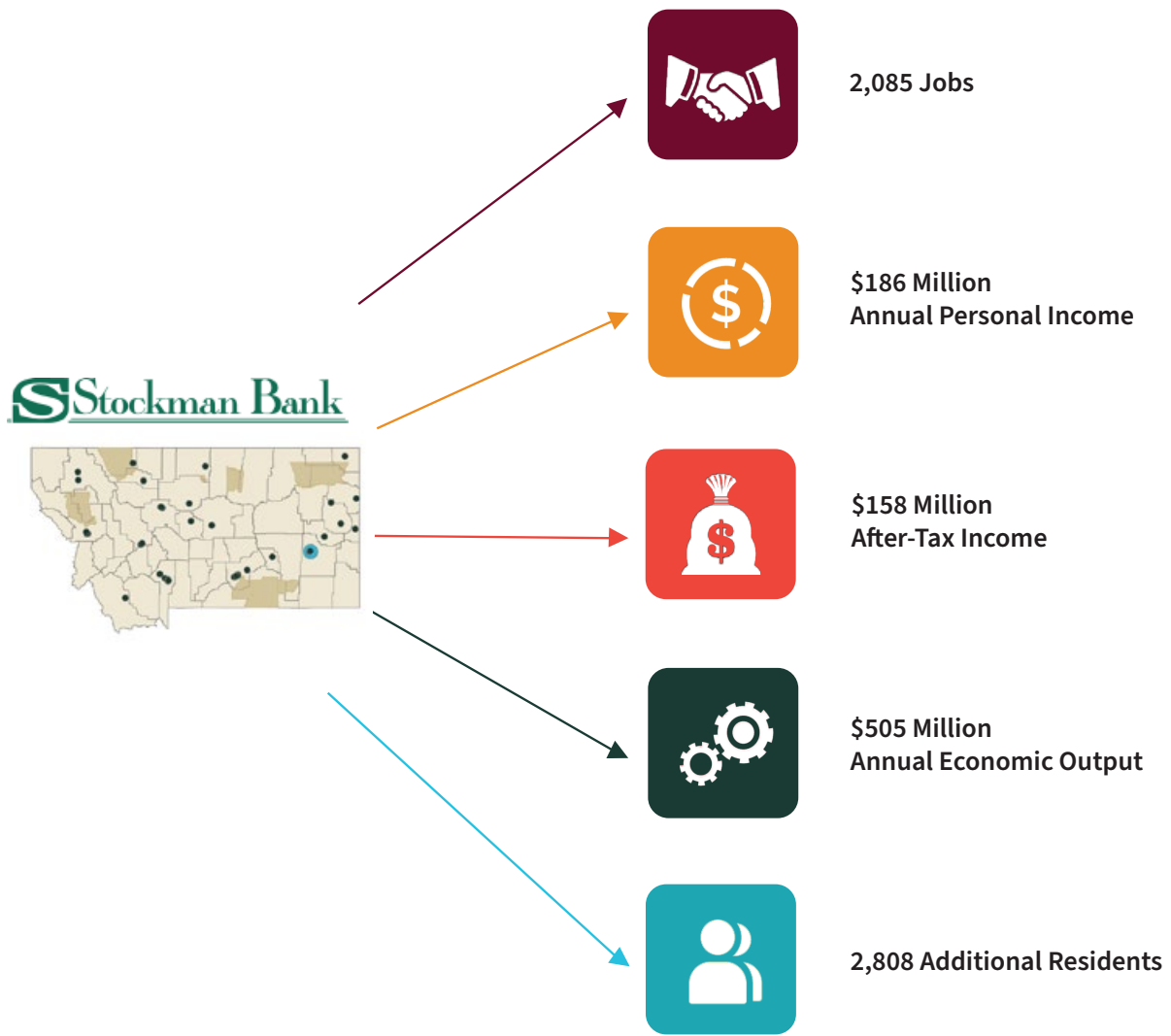
How Citizens Alliance Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

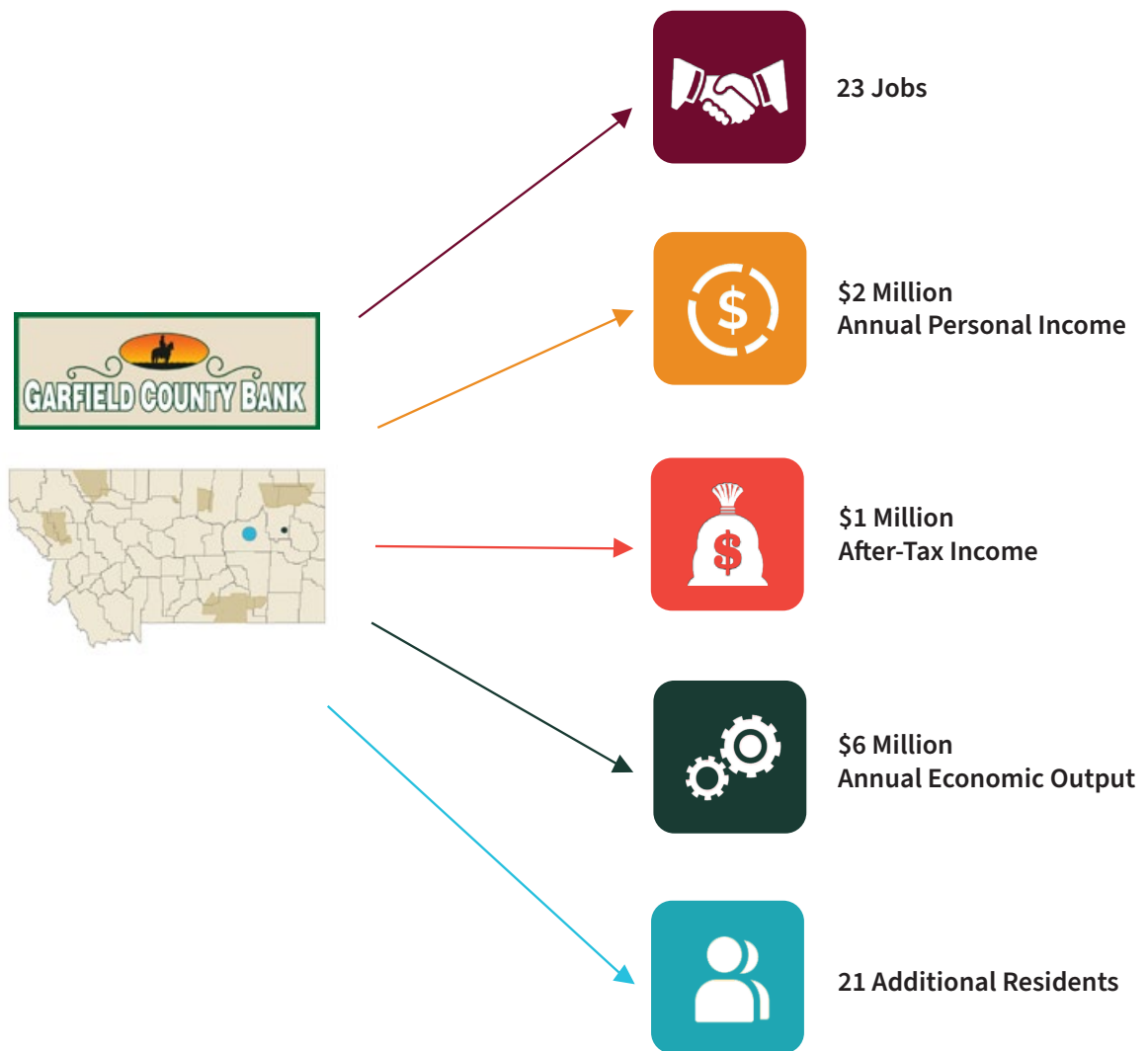
How Stockman Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

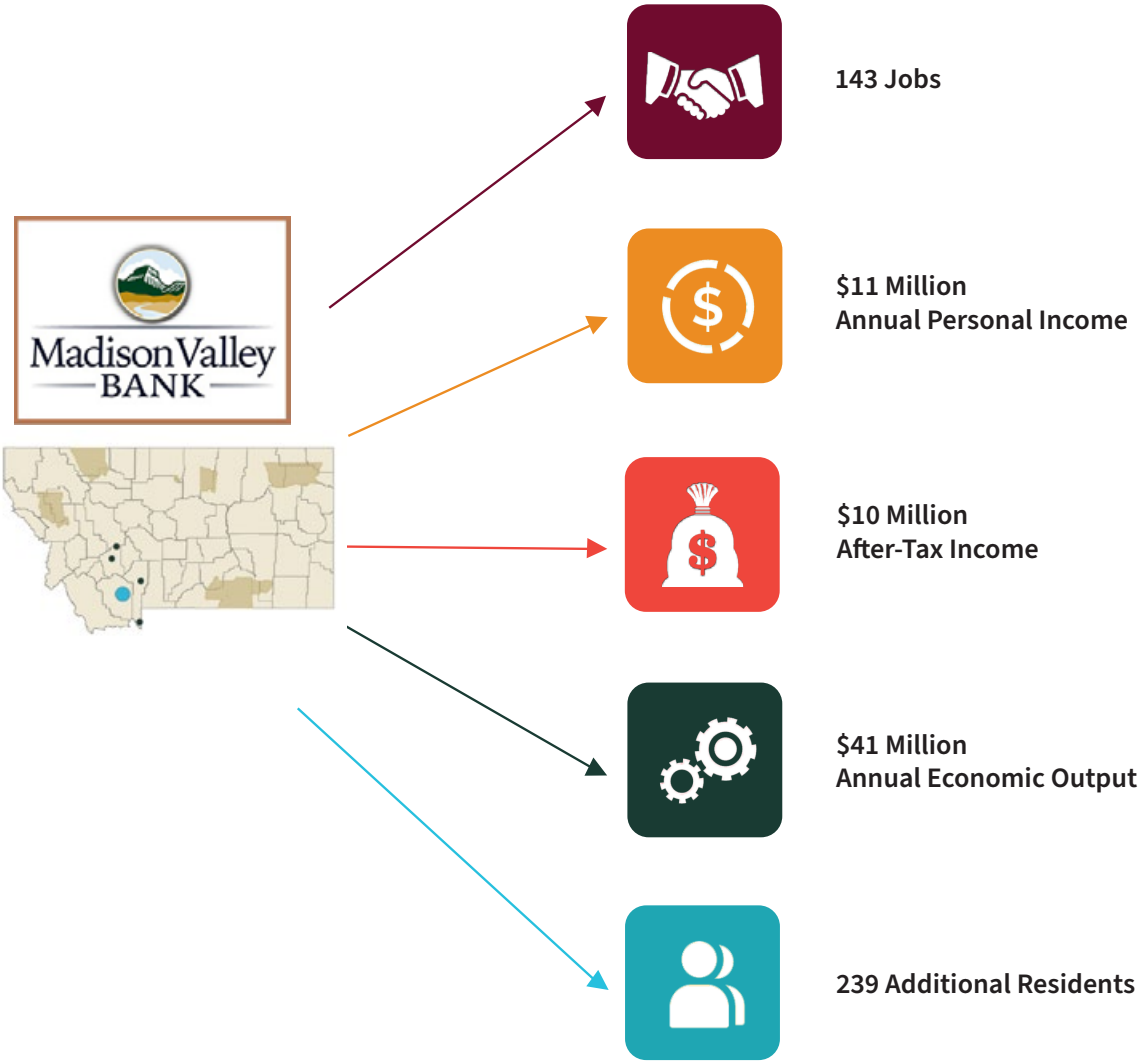
How Garfield County Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

How Madison Valley Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

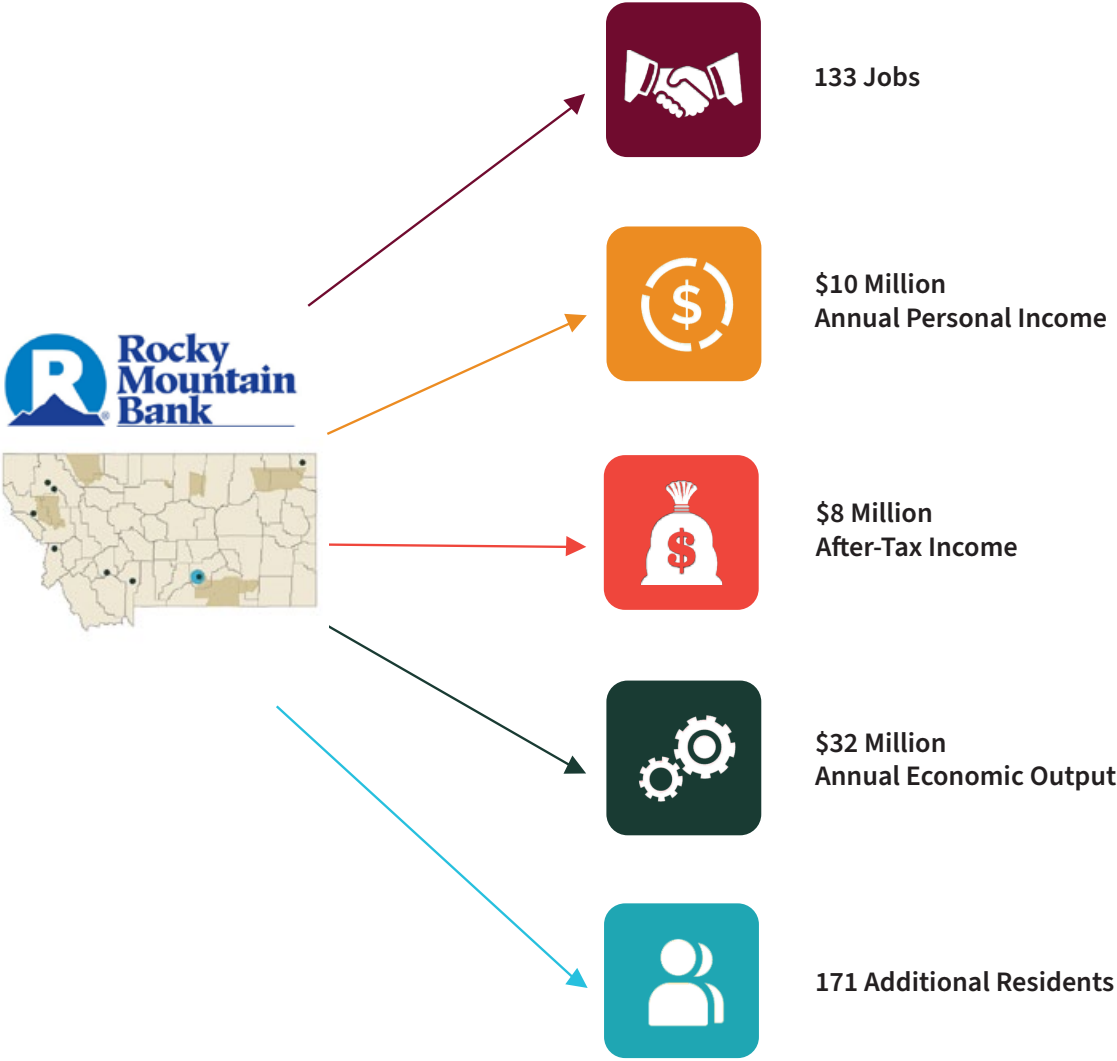
How Ascent Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

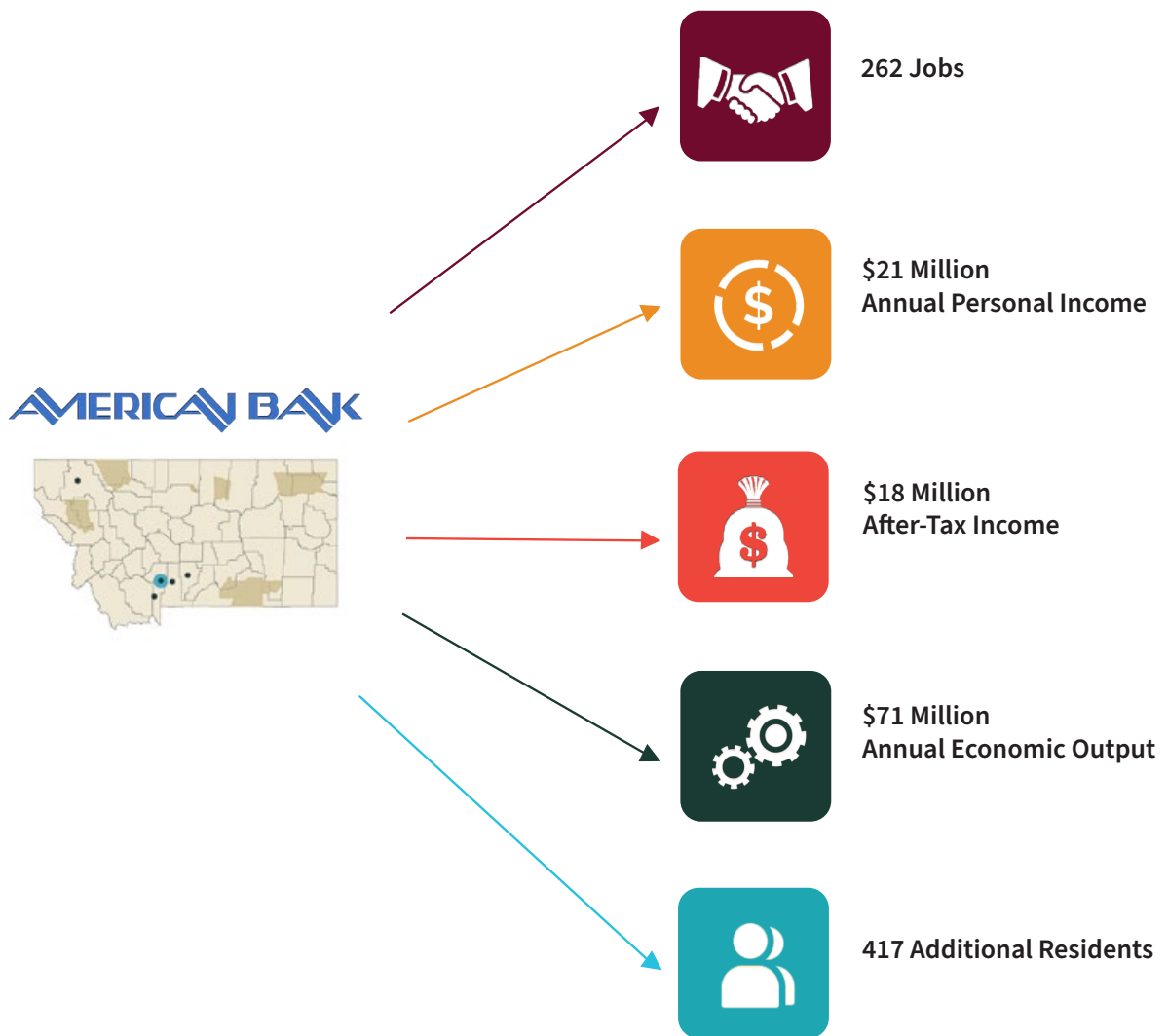
How Rocky Mountain Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

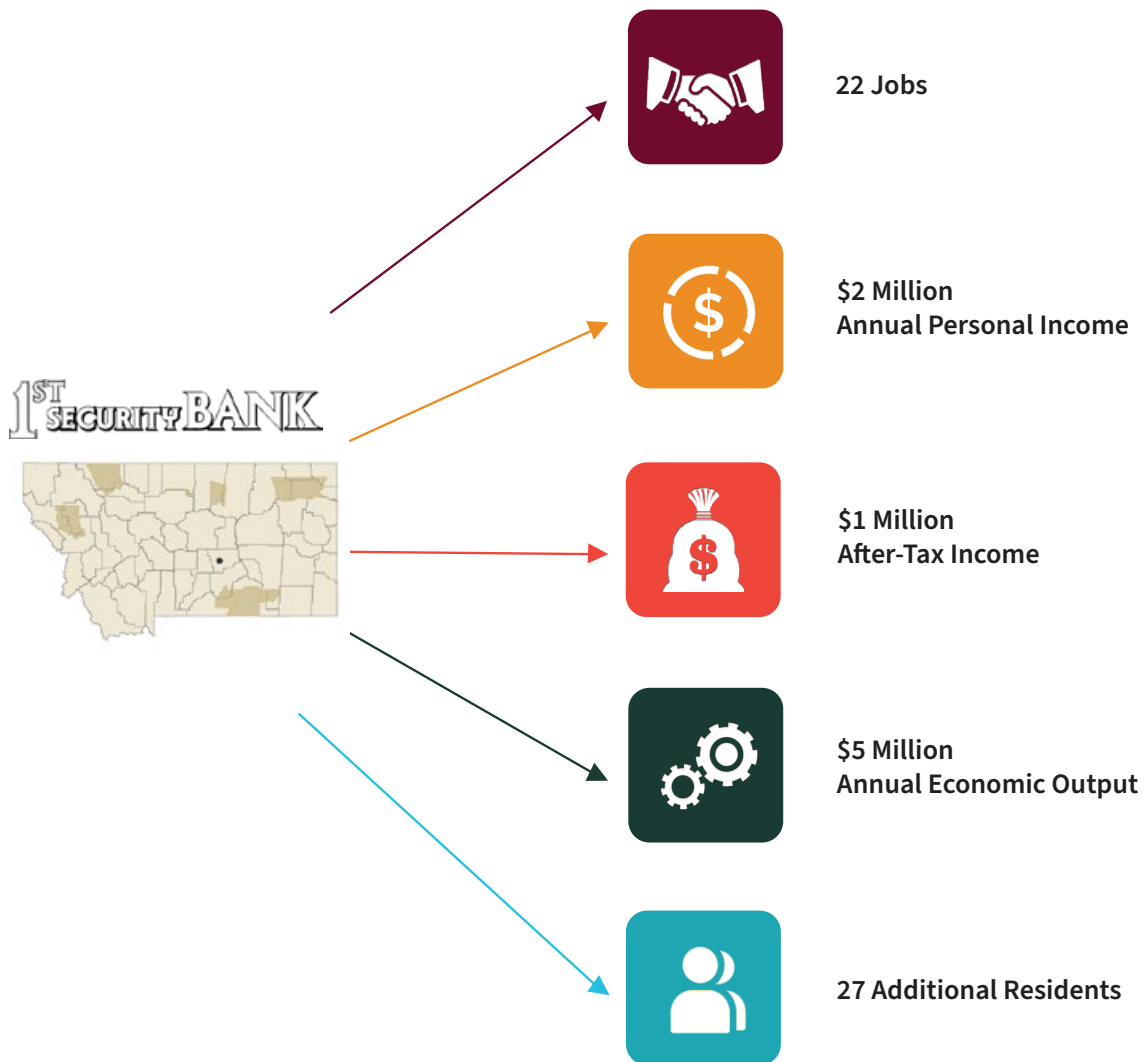
How American Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

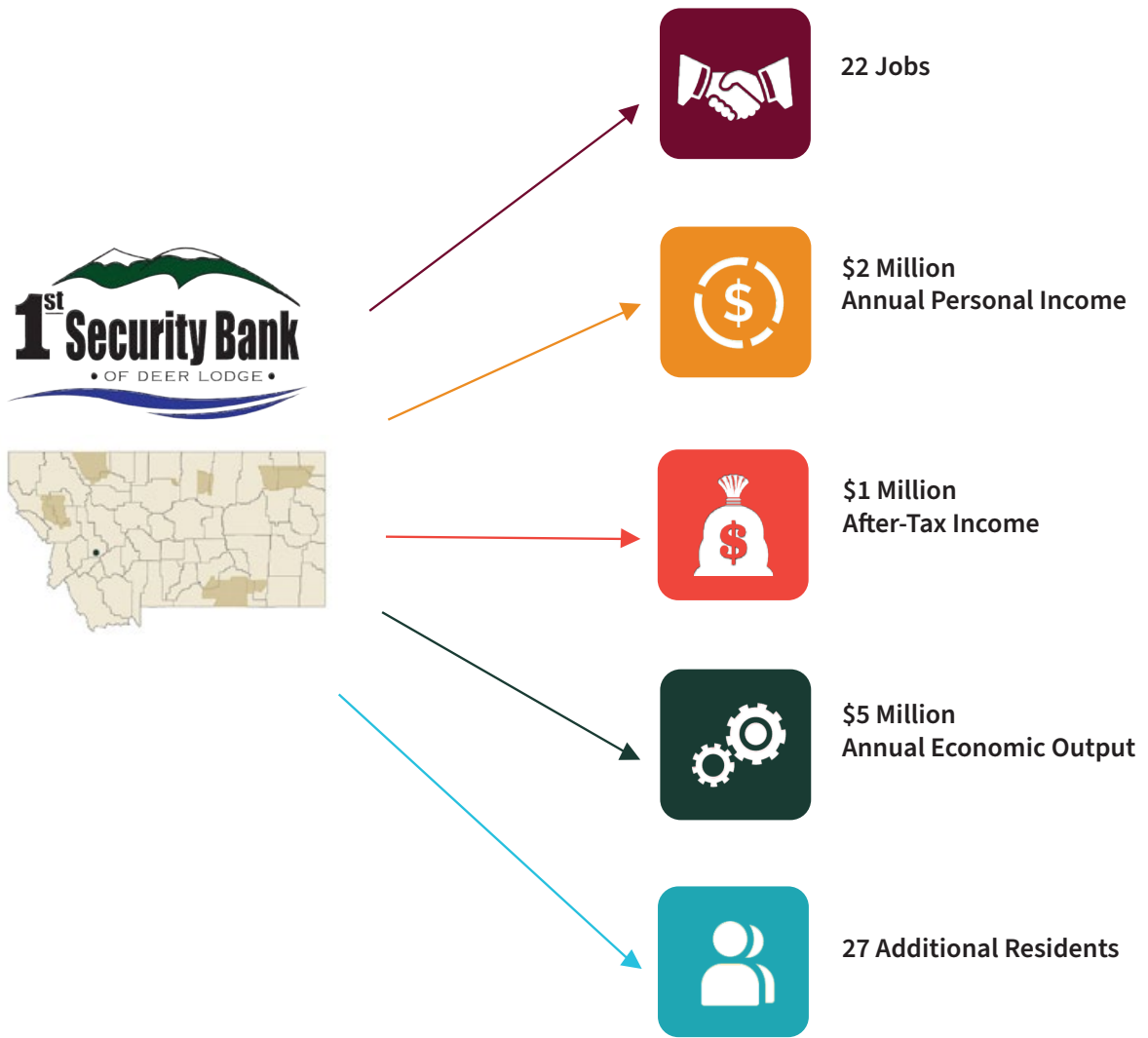
How First Security Bank of Roundup Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

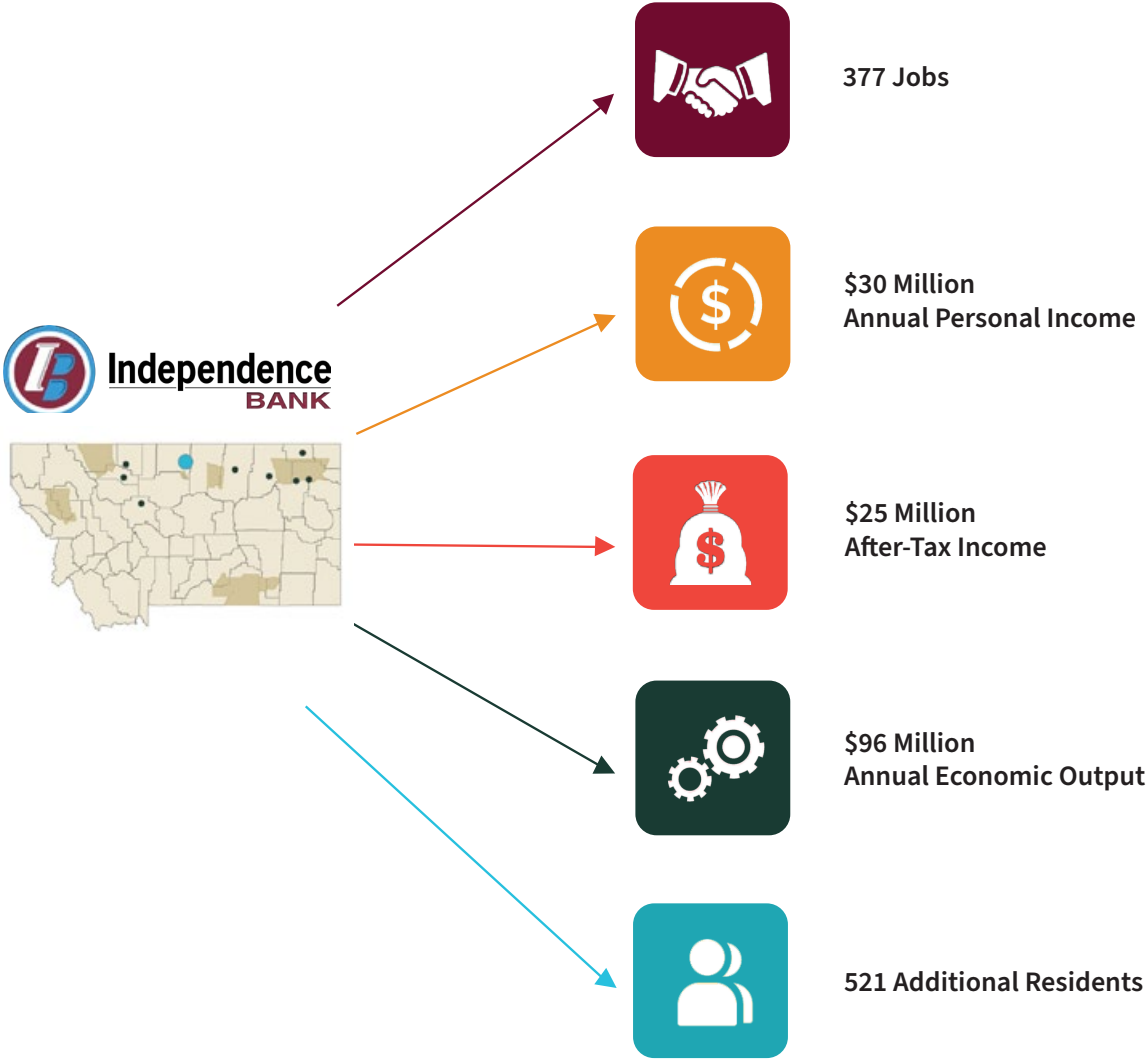
How First Security Bank of Deer Lodge Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

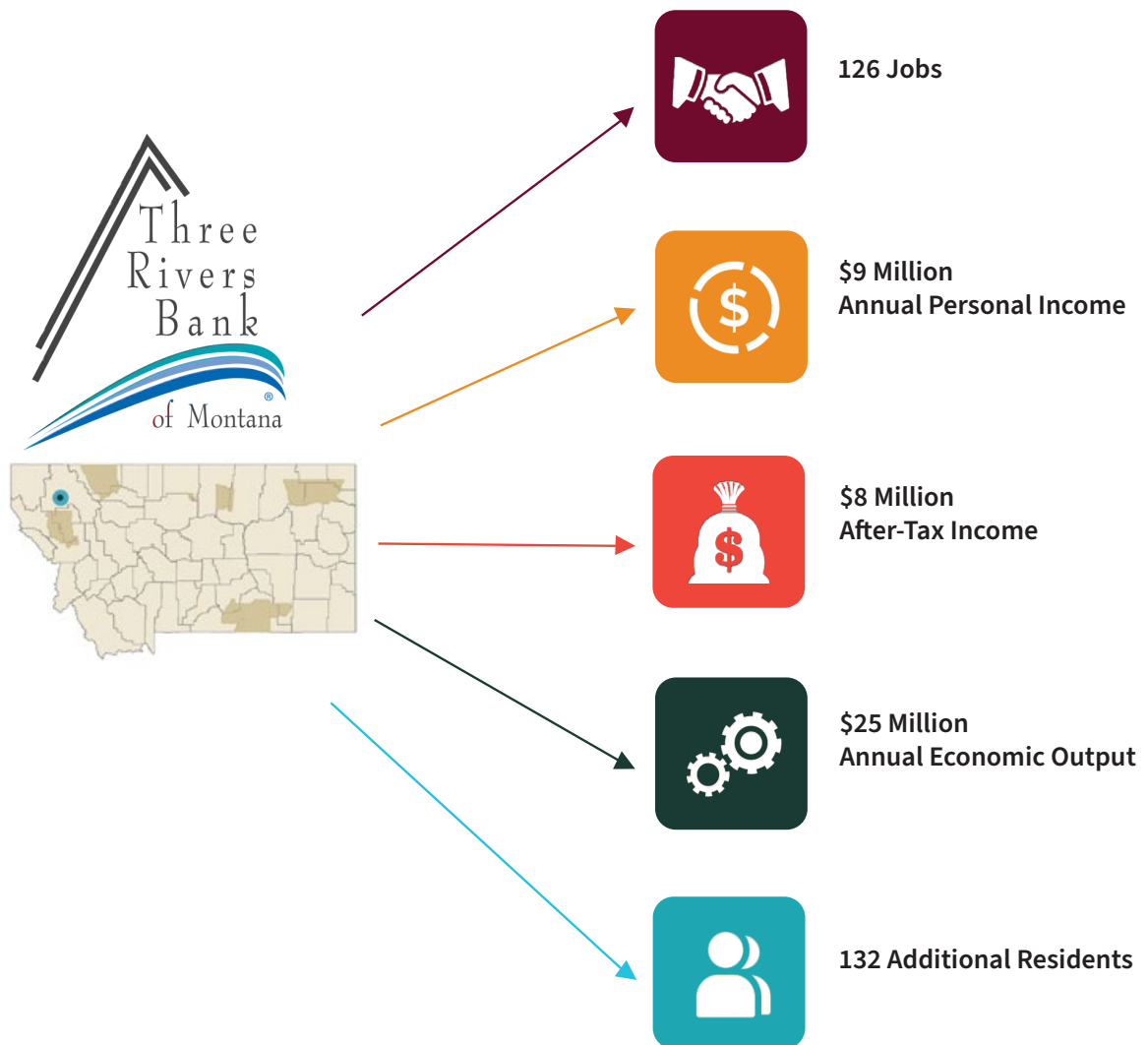
How Independence Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

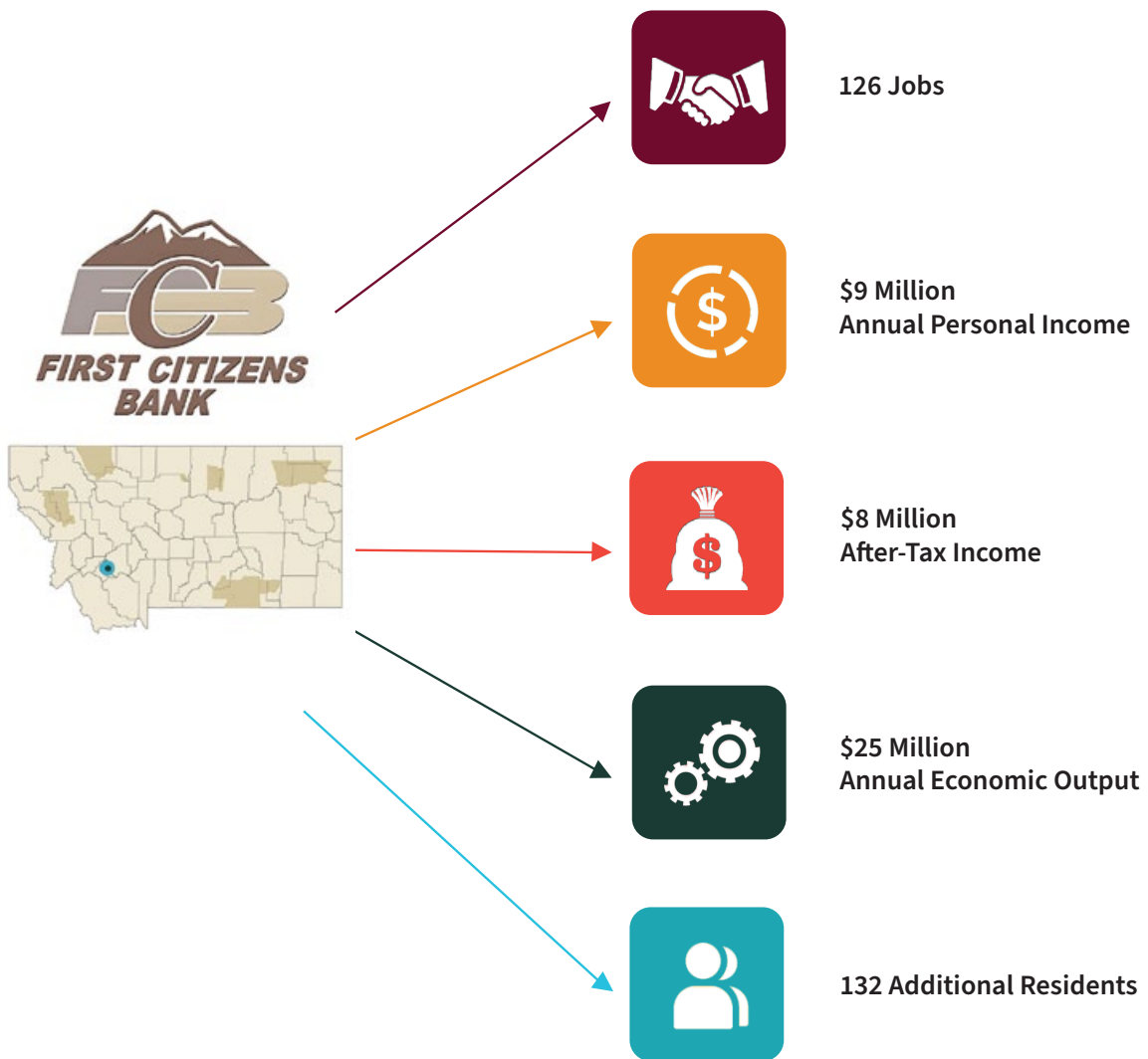
How Three Rivers Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

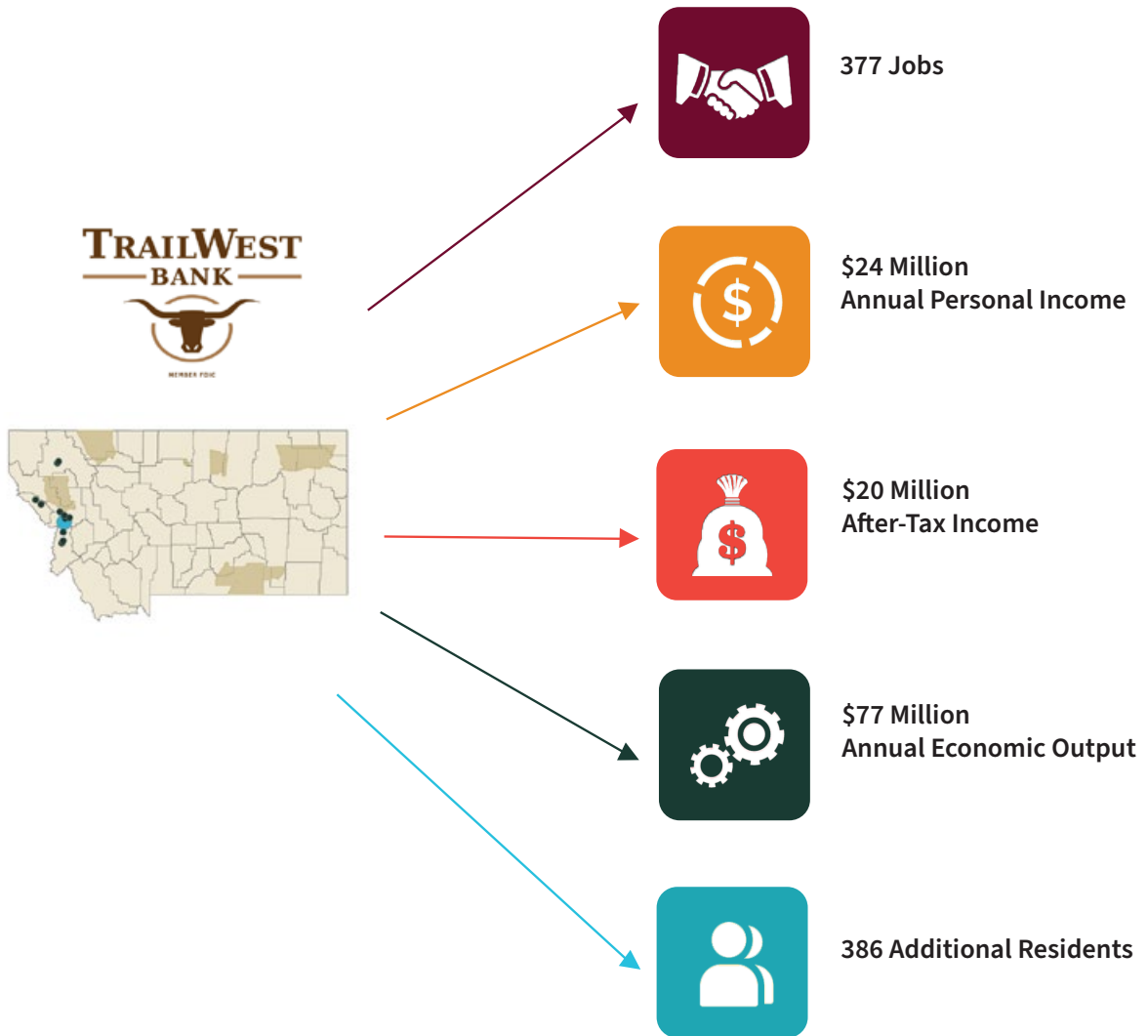
How First Citizens of Butte Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

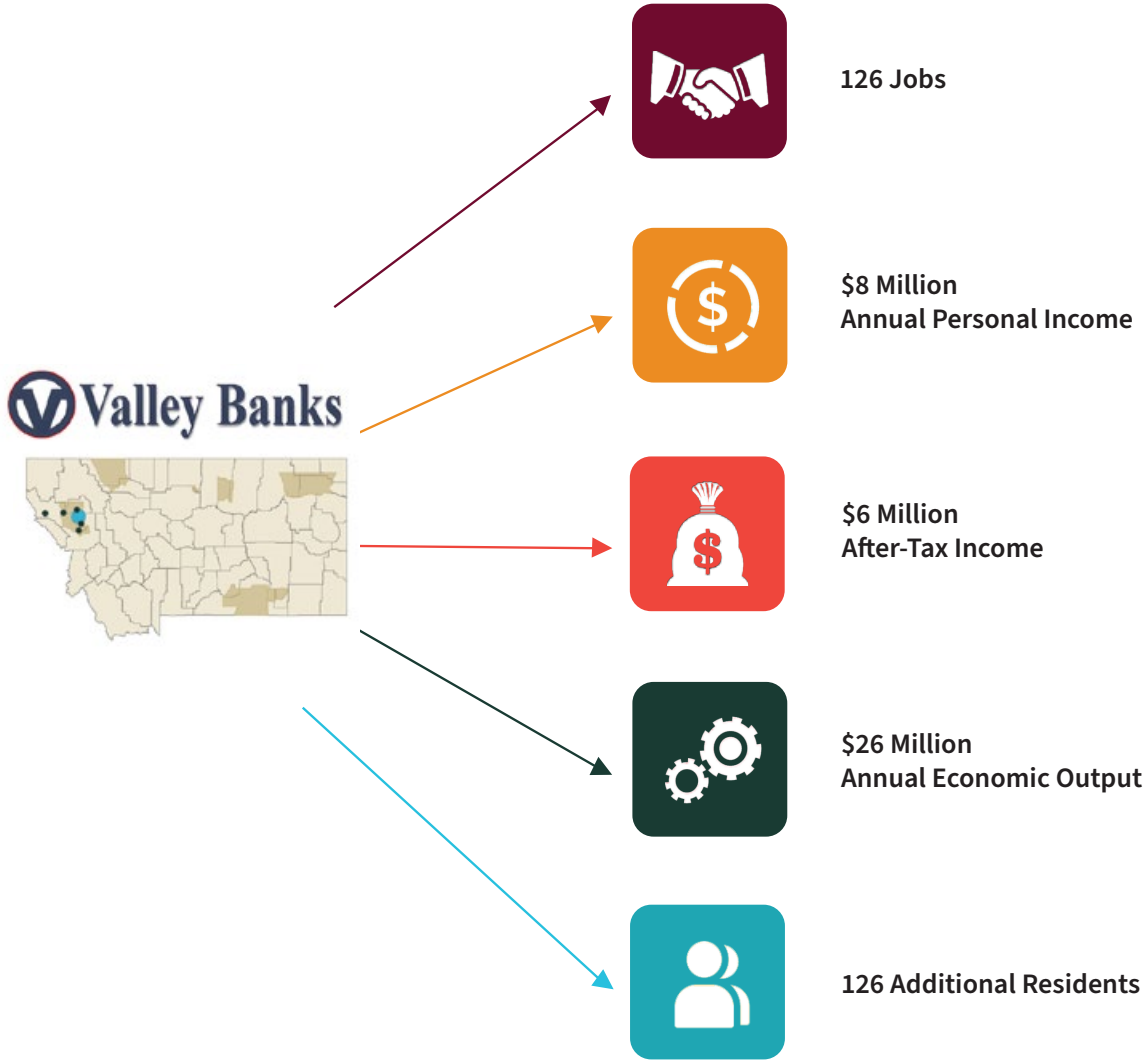
How Trailwest Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

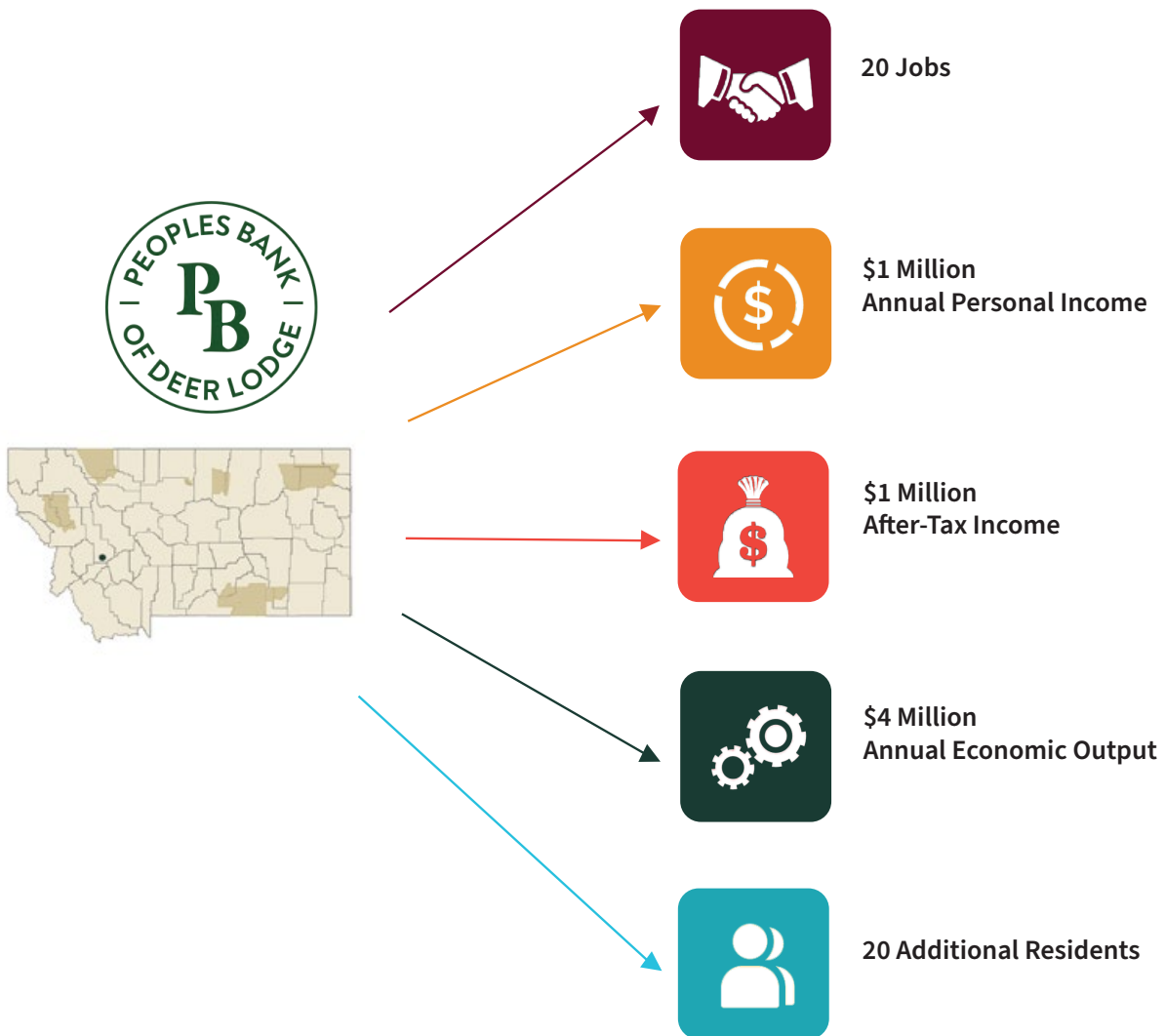
How Valley Bank of Ronan Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

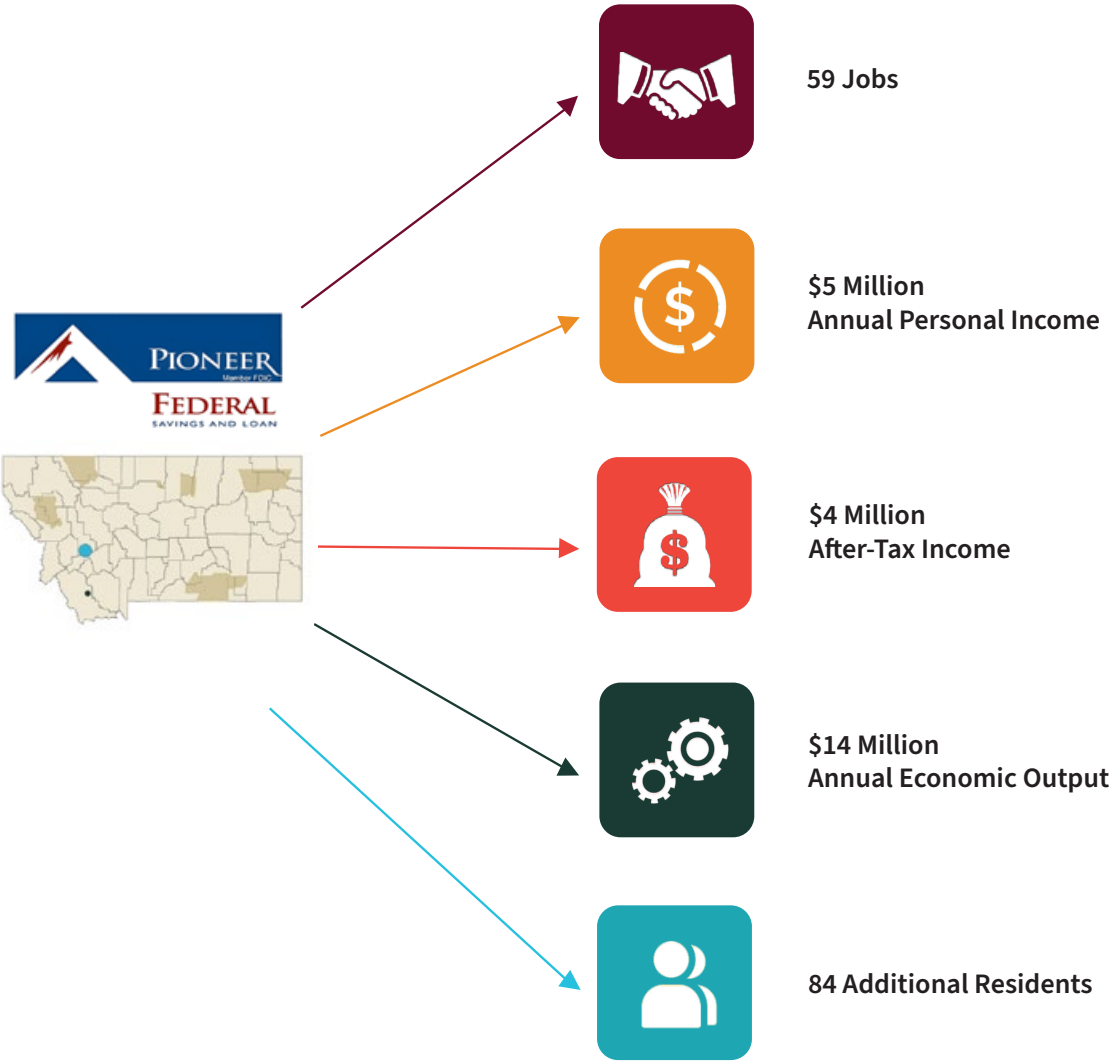
How Peoples Bank of Deer Lodge Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

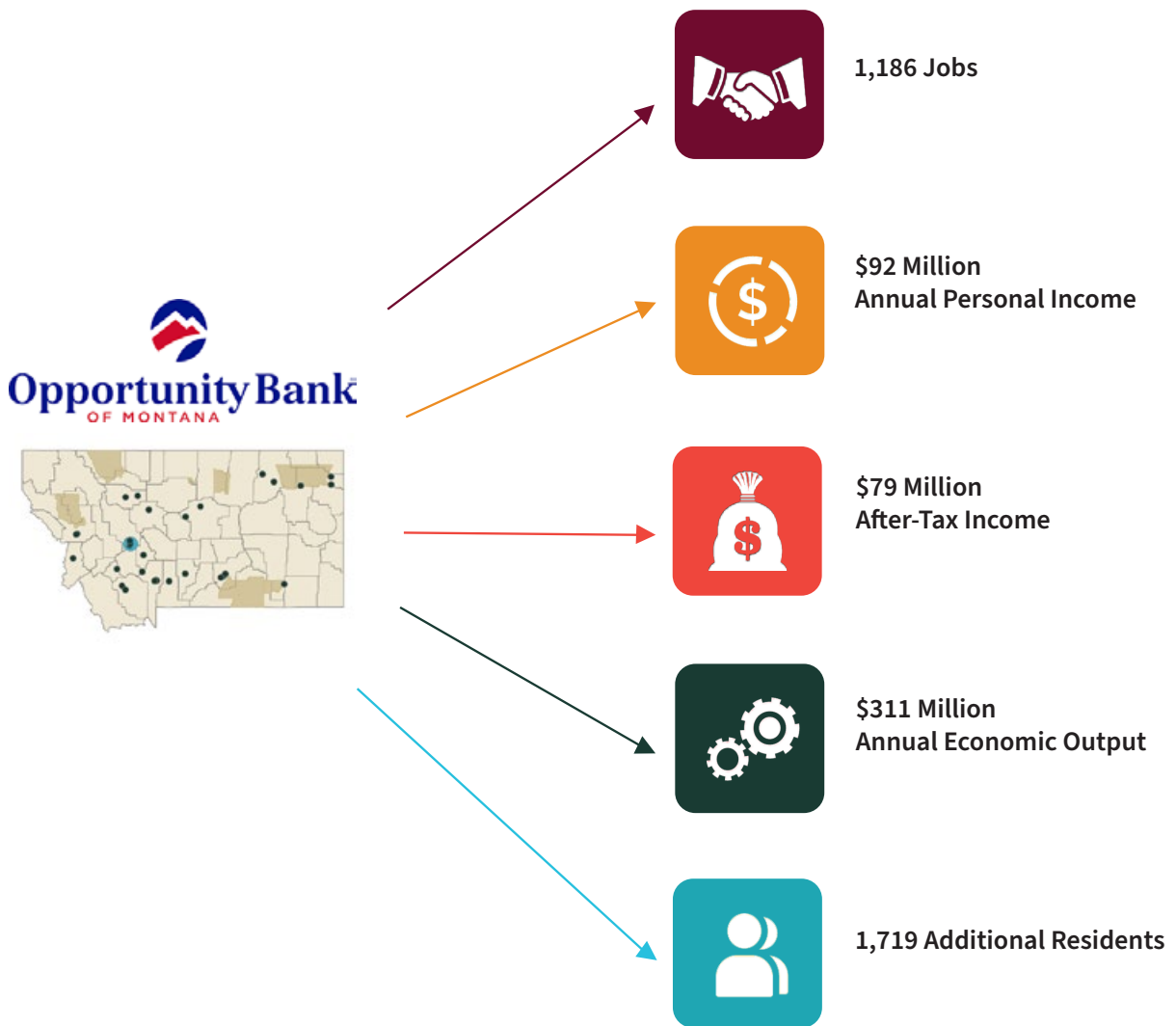
How Pioneer Federal Savings & Loan Bank Operations Support The Economy



Source: University of Montana
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The Economic Contributions of Montana's Banking Industry

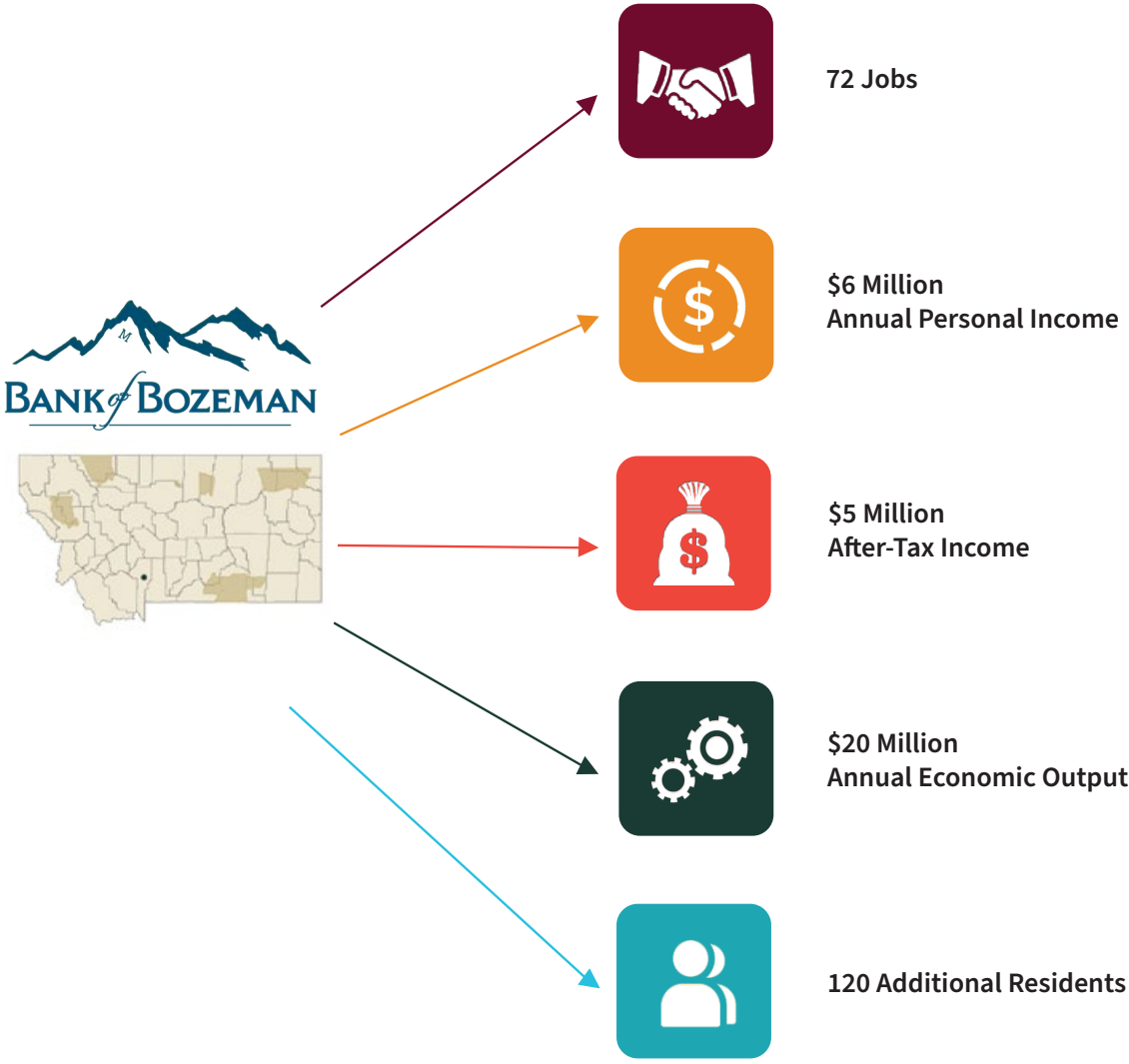
How Opportunity Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

How Bank of Bozeman Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

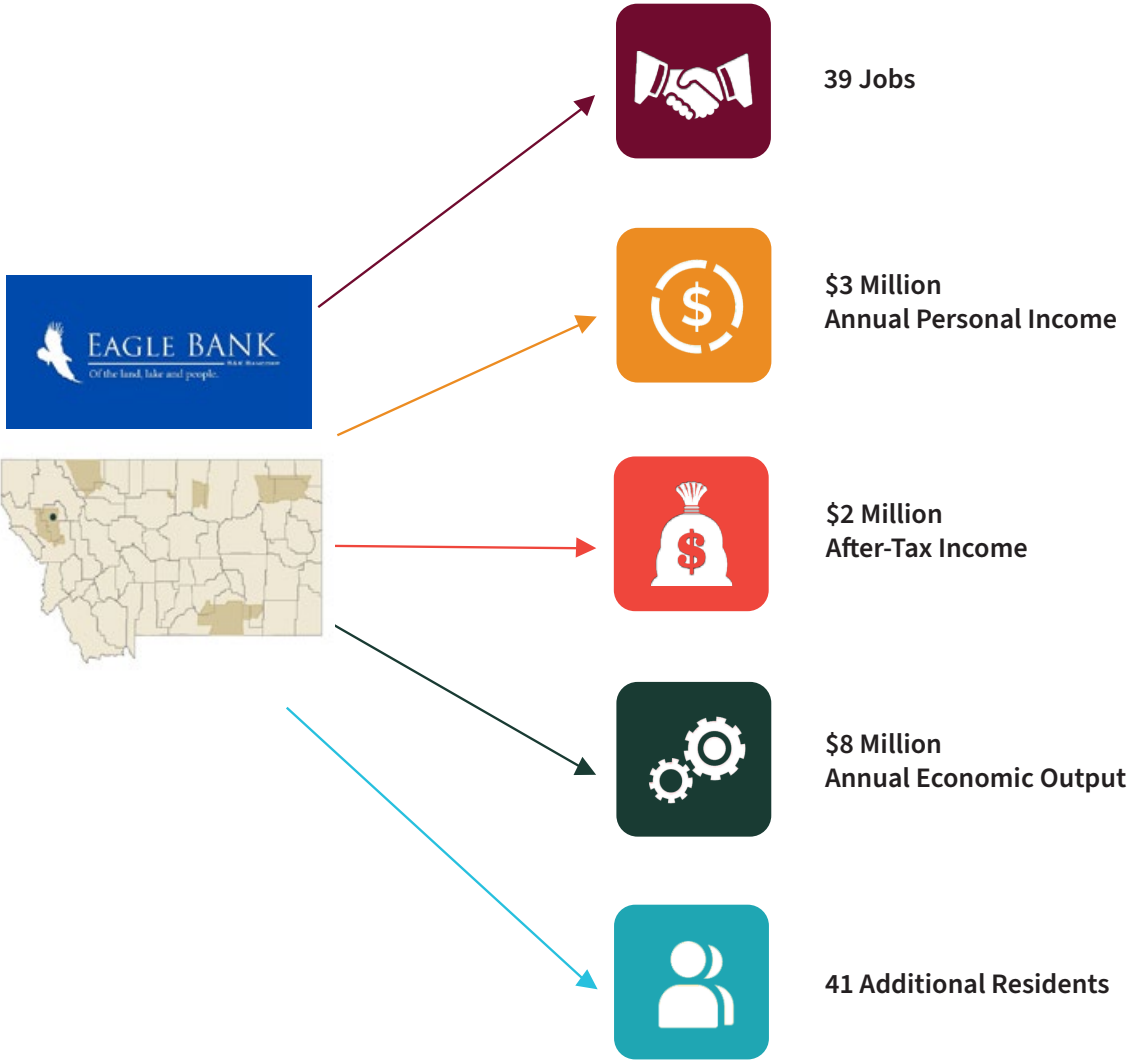
How Freedom Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

How Eagle Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

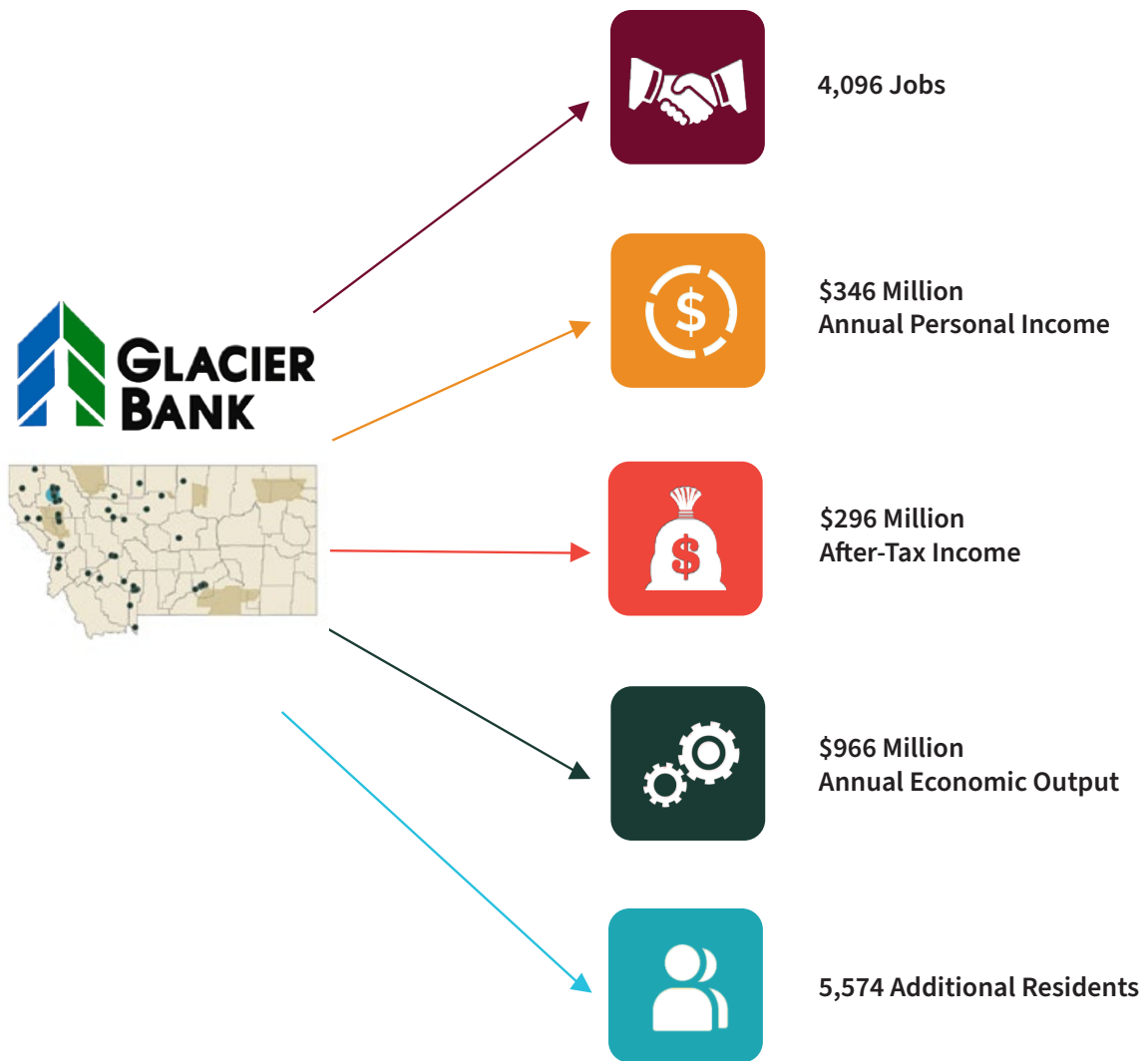
How Bank of Montana Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

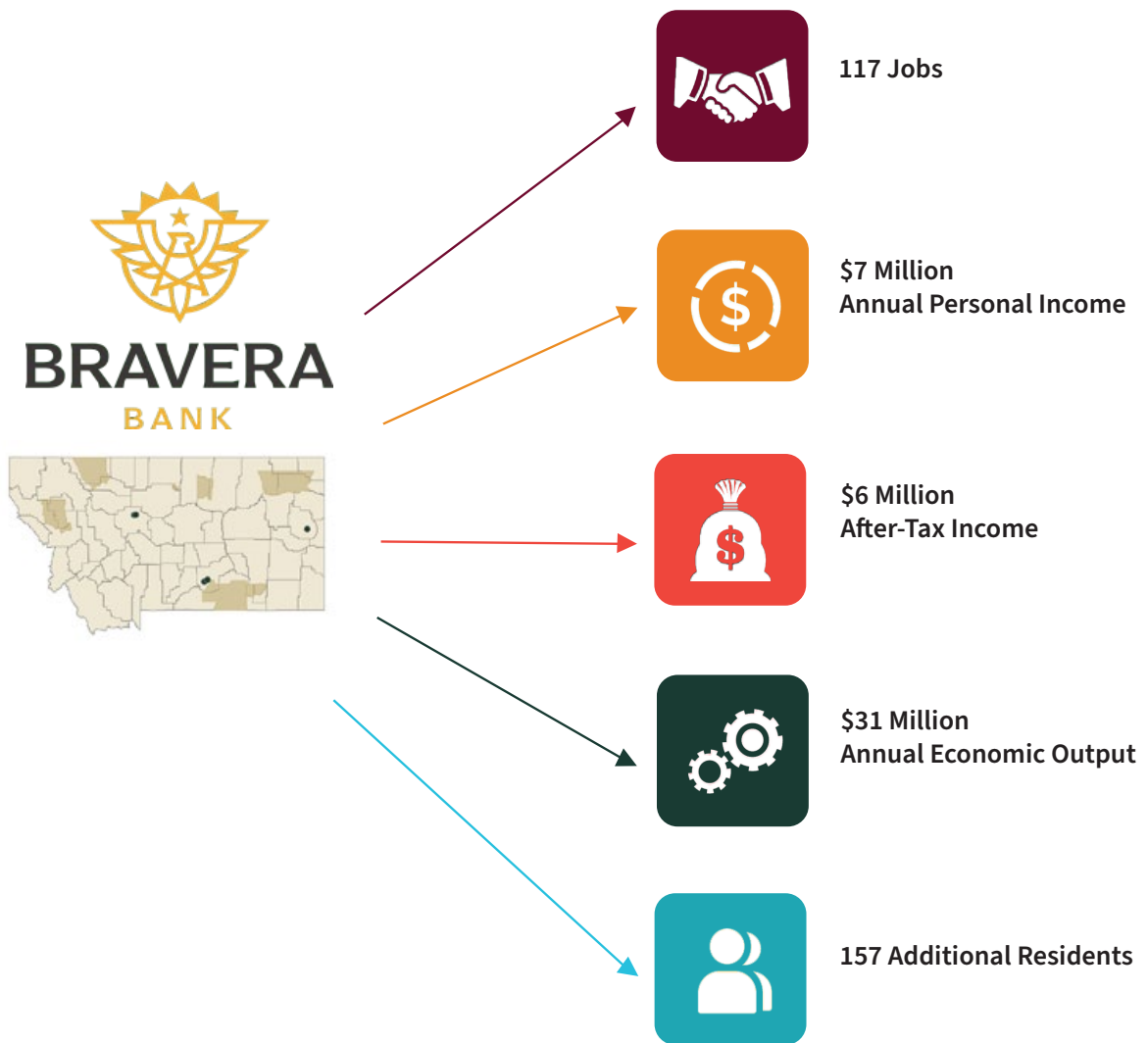
How Glacier Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

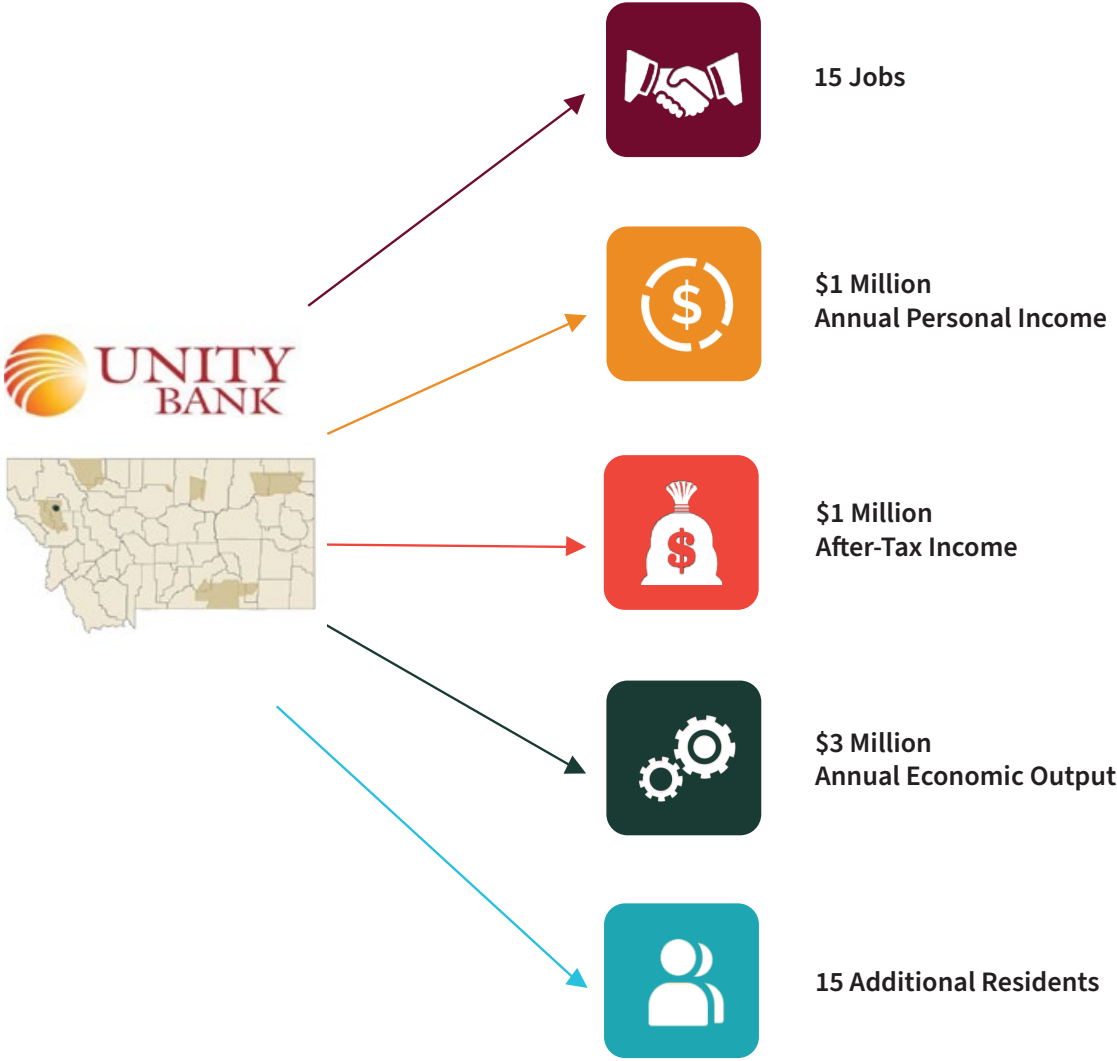
How Bravera Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

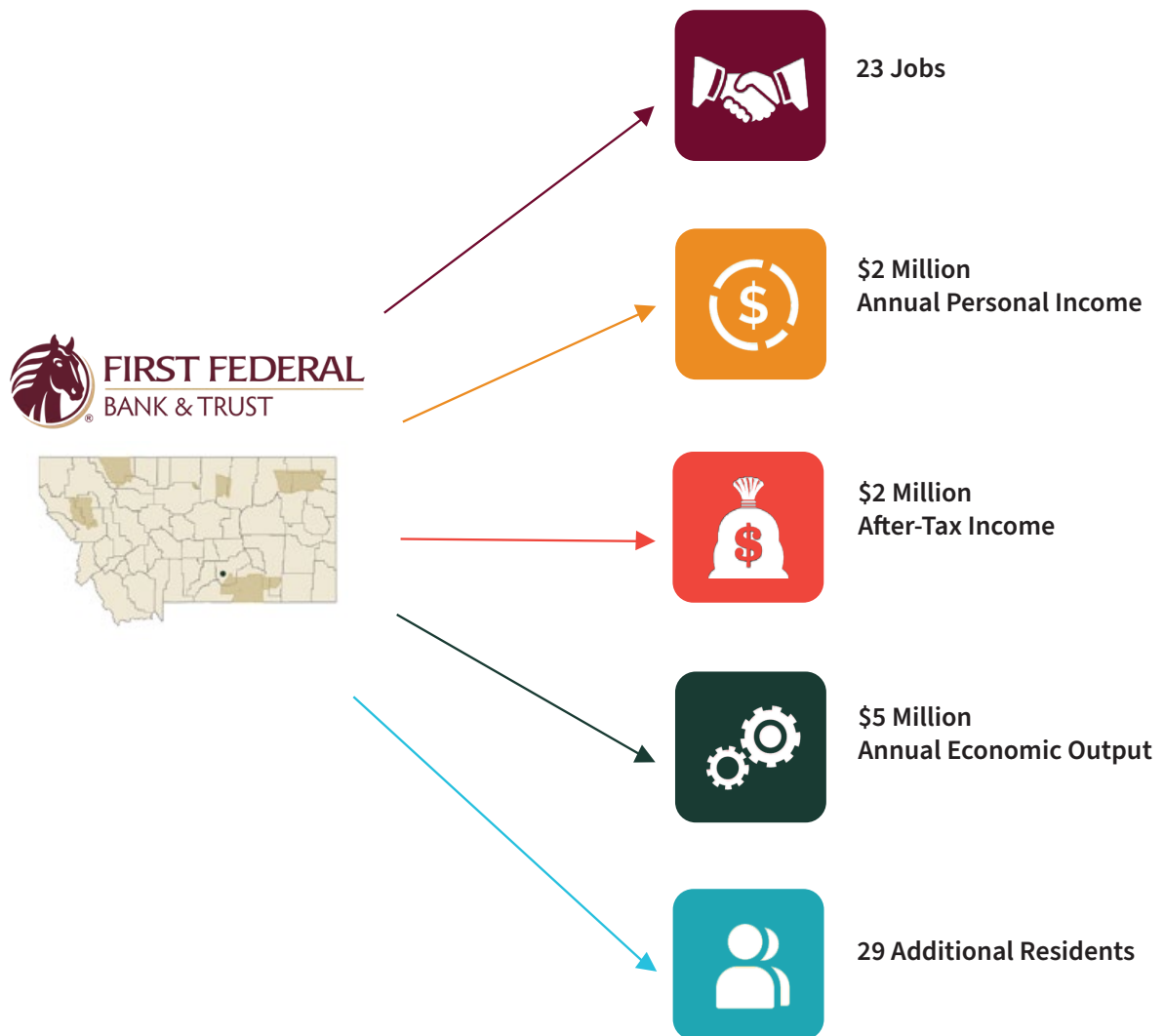
How Unity Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

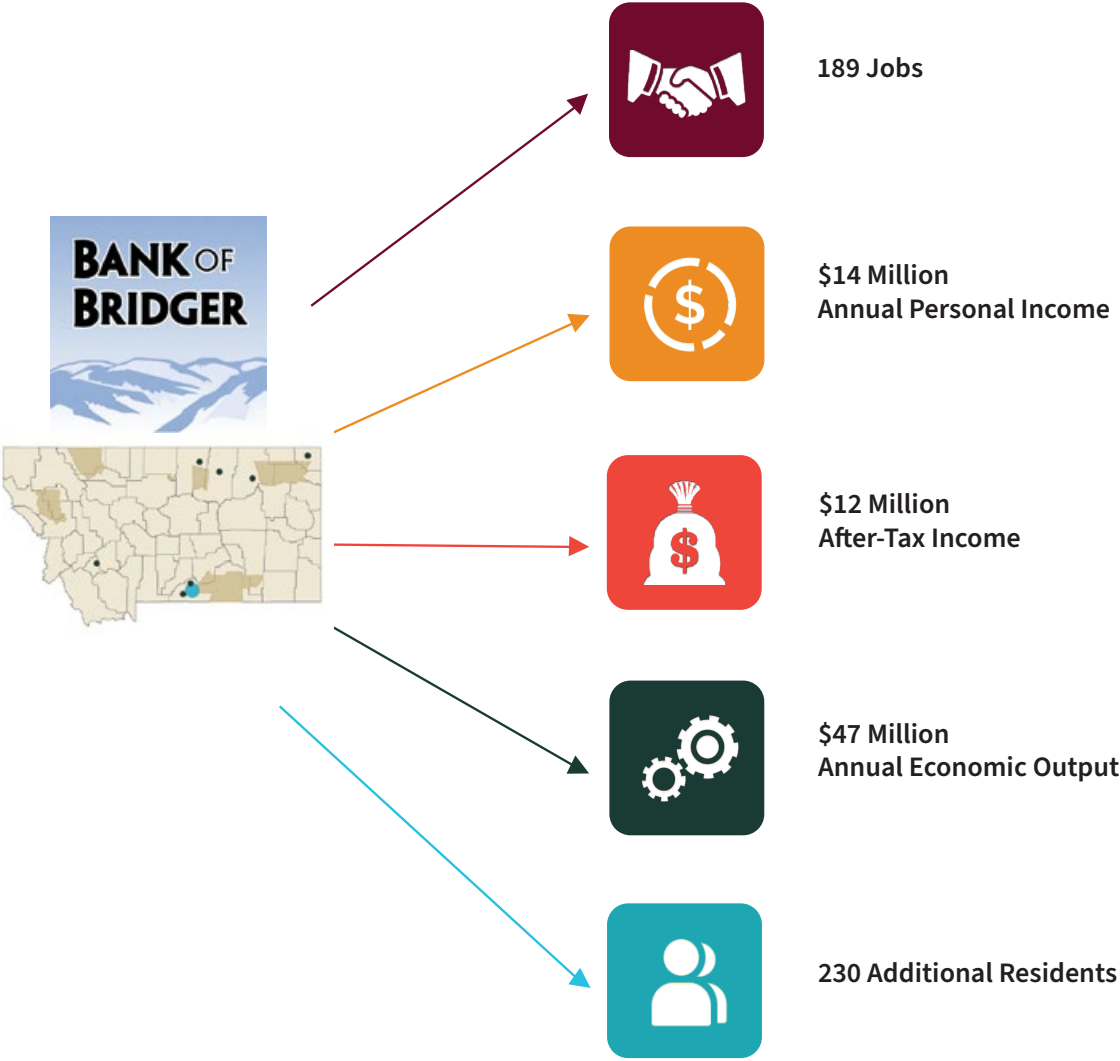
How First Federal Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

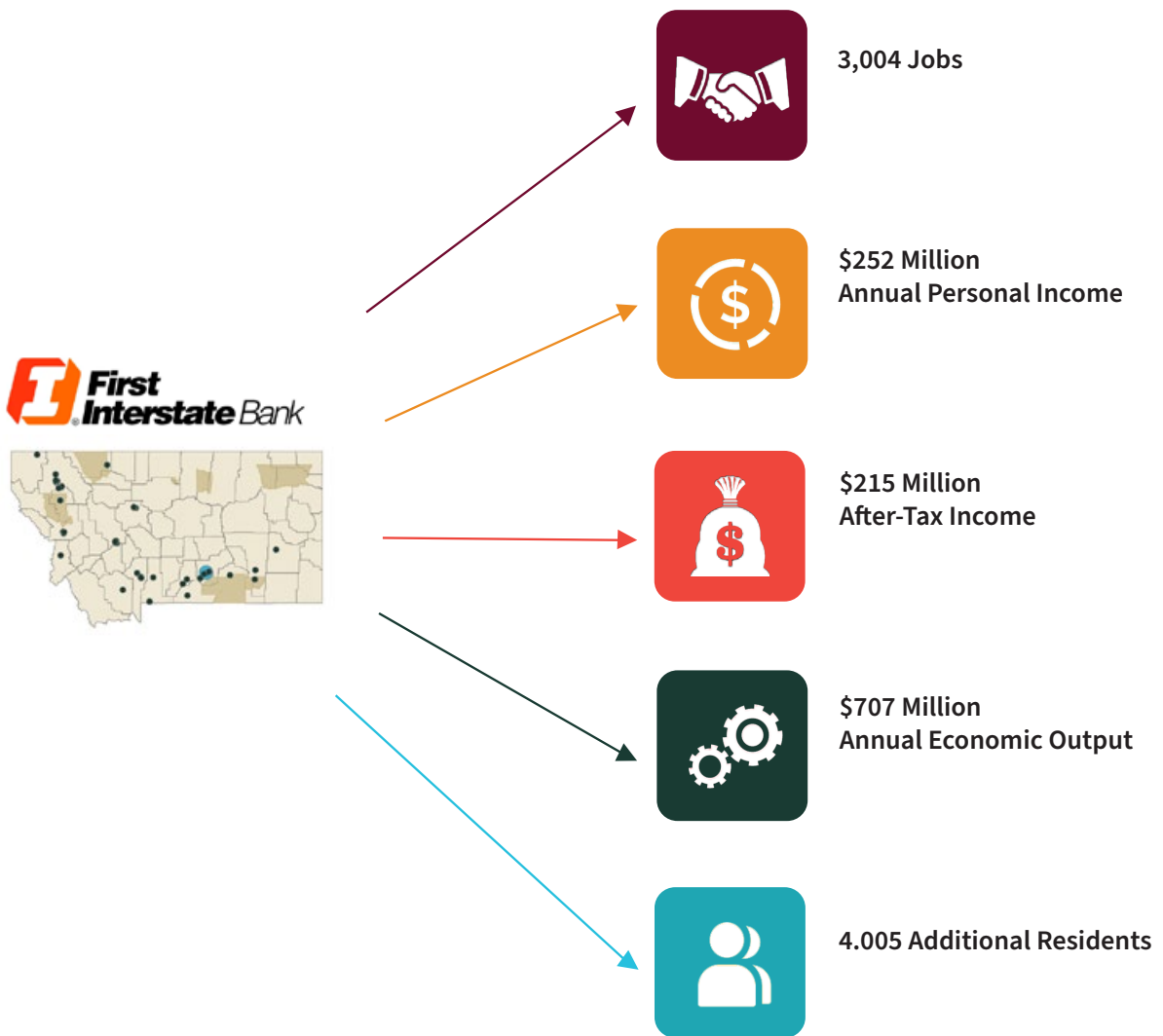
How Bank of Bridger Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

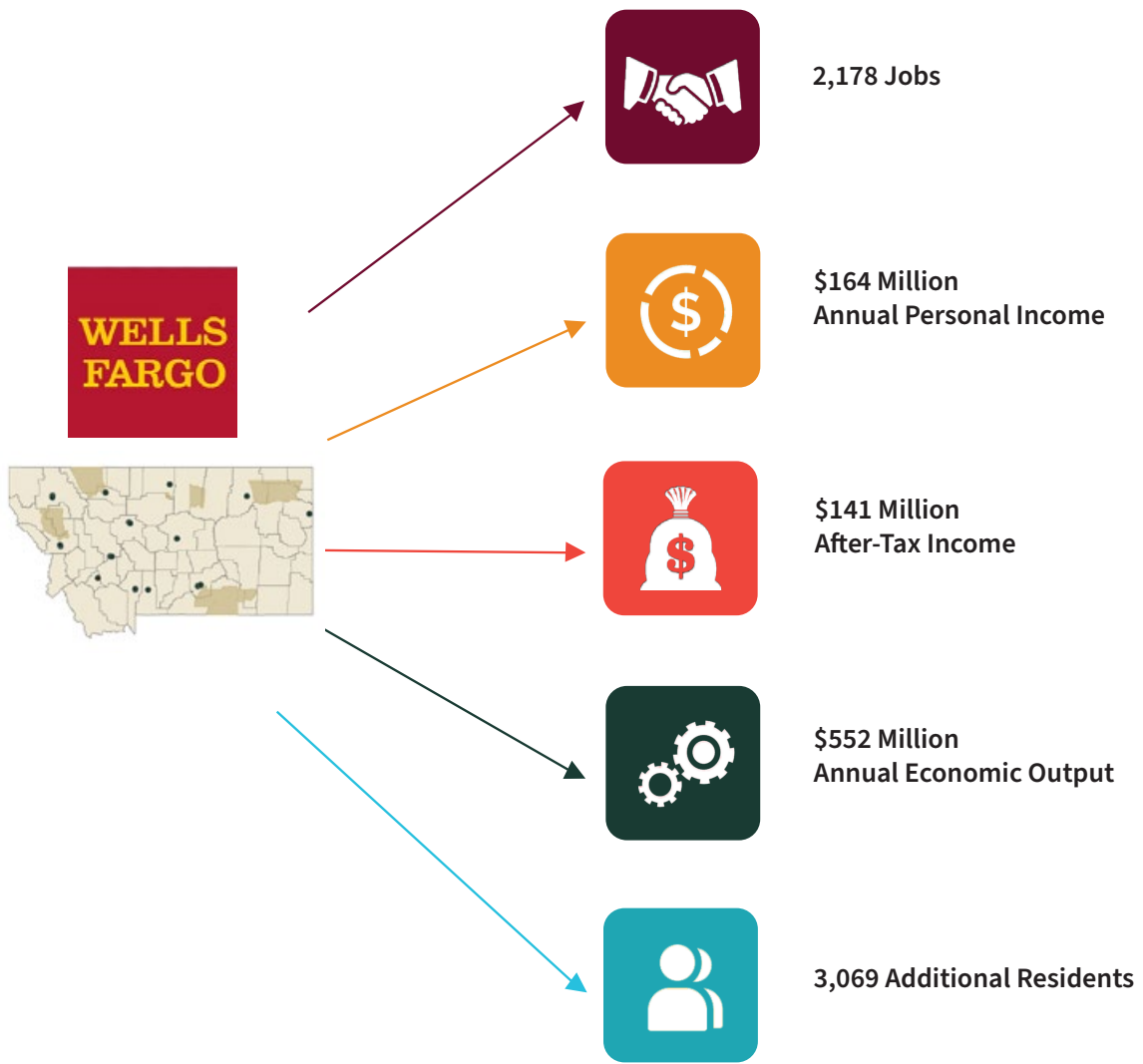
How First Interstate Bank Operations Support The Economy



Source: University of Montana
Bureau of Business and Economic Research.

The Economic Contributions of Montana's Banking Industry

How Wells Fargo Bank Operations Support The Economy

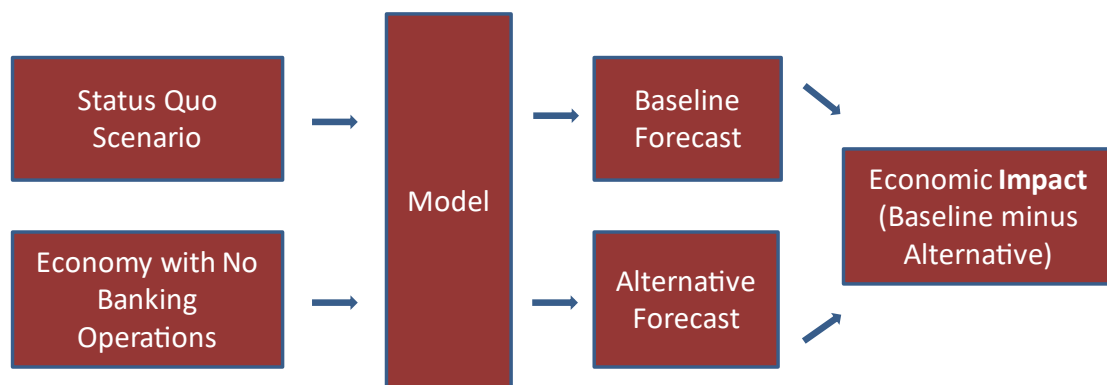


Source: University of Montana
Bureau of Business and Economic Research.

8. Appendix B: The REMI Modelling Methodology

The basic approach of using the REMI model to produce the results for this study is illustrated in Figure B.1 below. The analysis started with a baseline projection for the Montana economy, where the operations of banks are present. Next, the analysis employed the REMI model a second time, simulating an alternative scenario where banking operations and their associated economic activity are absent from the Montana economy.

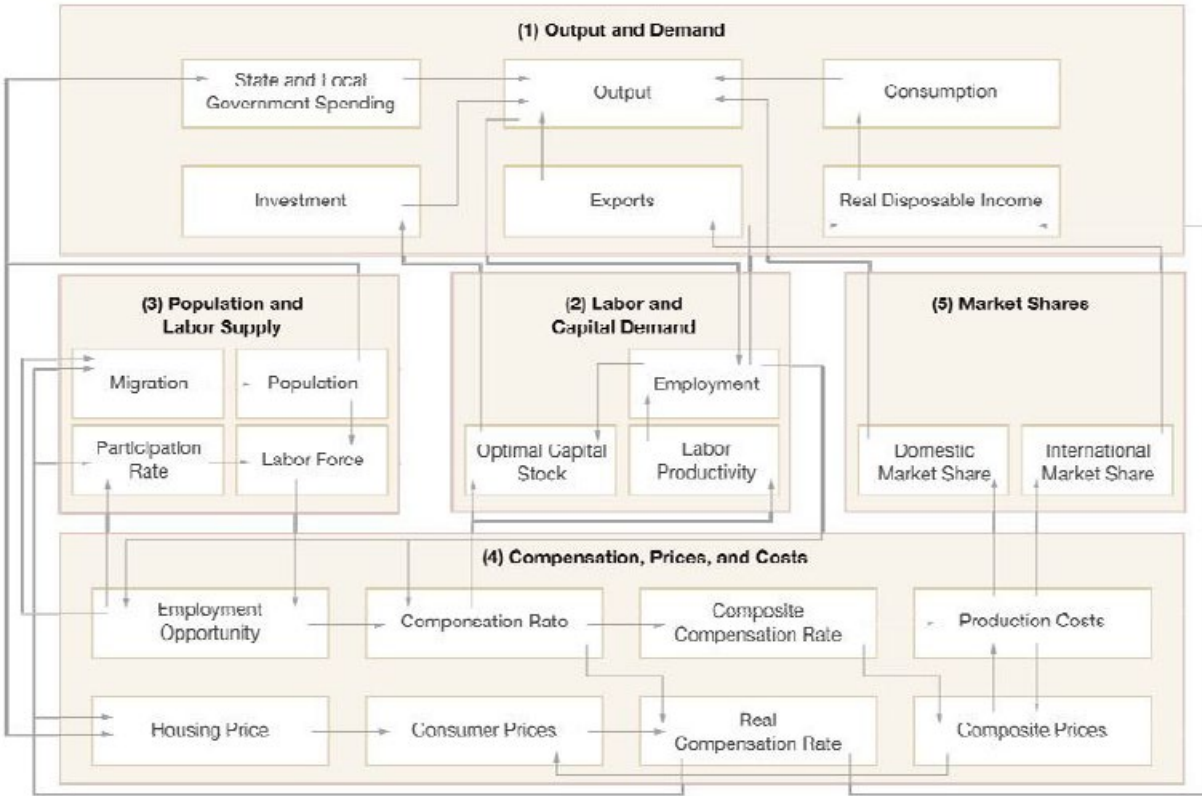
Figure B.1. Policy Analysis Using the REMI Model



The difference between the two economic projections represents the total economic contribution of Montana's banks.

The REMI model utilizes historical data on production, prices, trade flows, migration, and technological advances to calibrate the relationship between five basic blocks of the state economy: 1) Output and Demand; 2) Labor and Capital Demand; 3) Population and Labor Supply; 4) Compensation, Prices and Costs; and 5) Market Shares. These linkages are shown in Figure B.2, below.

Figure B.2. Schematic Model of REMI Linkages



The differences in production, labor demand, and intermediate demand associated with the absence of banks impact these blocks, causing them to react to the changes and adjust to a new equilibrium. This new equilibrium constitutes the alternative scenario referred to above—the absence of banking operations.

The underlying philosophy of the REMI model is that regions throughout the country compete for investments, jobs, and people. When events occur in one region, they set off a chain reaction of events across the country that causes dollars to flow toward better investment and production opportunities, followed over time by workers and households toward better employment opportunities and higher wages.

The REMI model consists of an 82-sector input/output matrix that models the technological interdependence of production sectors of the economy, as well as extensive trade and capital flow data. Together, these components enable the estimates of the shares of each sector’s demand that can be met by local production. Simplified illustrations of the schematic model in Figure B.3 are provided on the following pages, in figures B.3 through B.7.

Figure B.3. Output Linkages

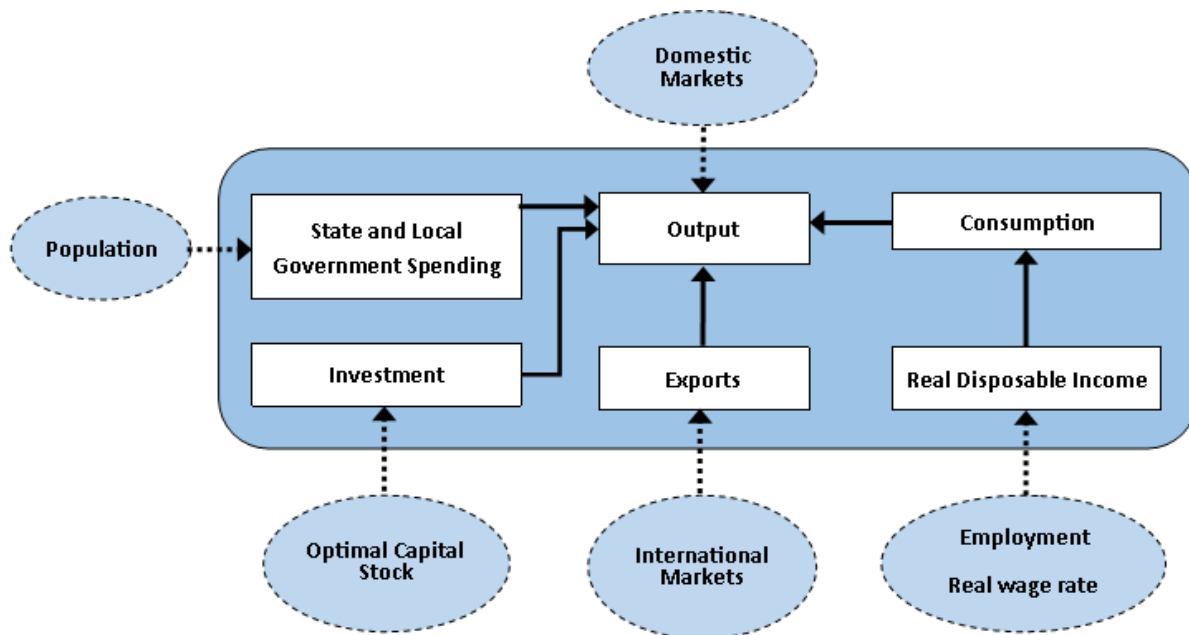


Figure B.4. Labor and Capital Demand Linkages

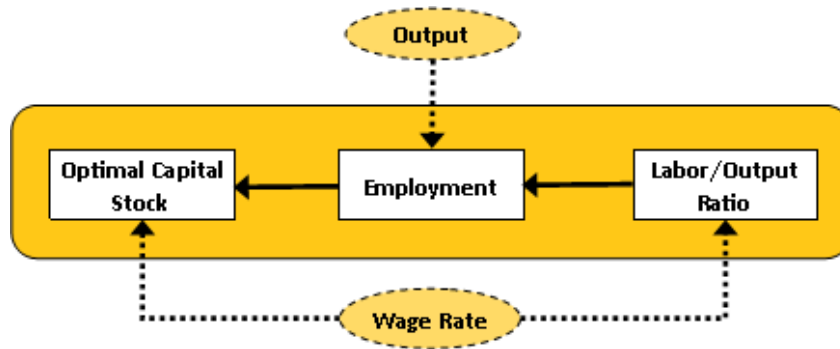


Figure B.5. Demographic Linkages

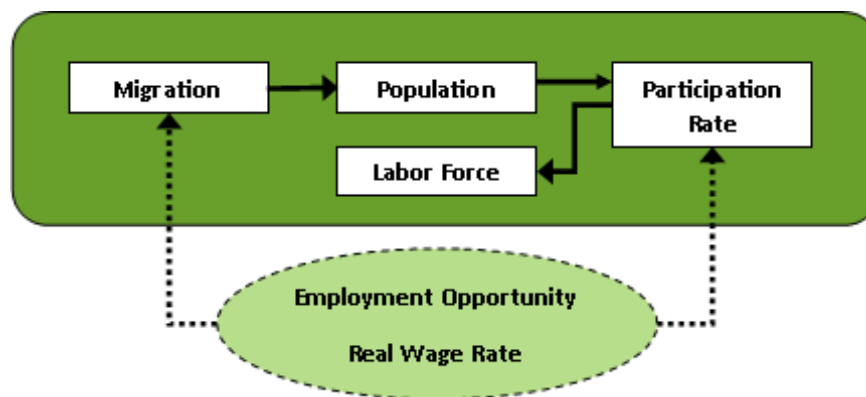


Figure B.6. Wages, Prices and Production Costs Linkages

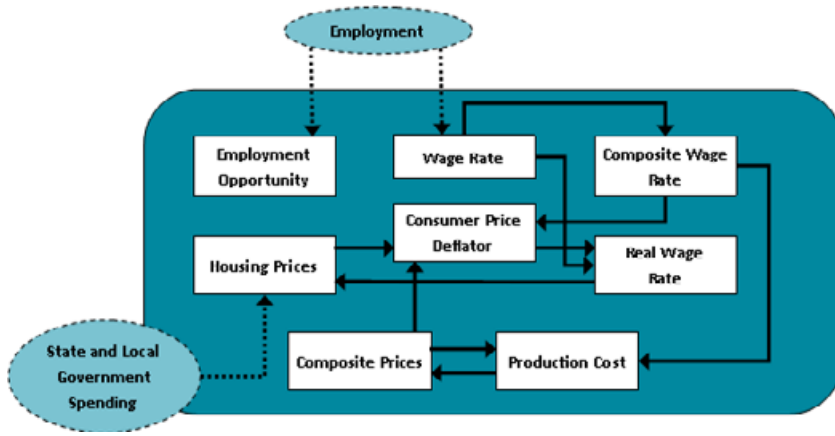
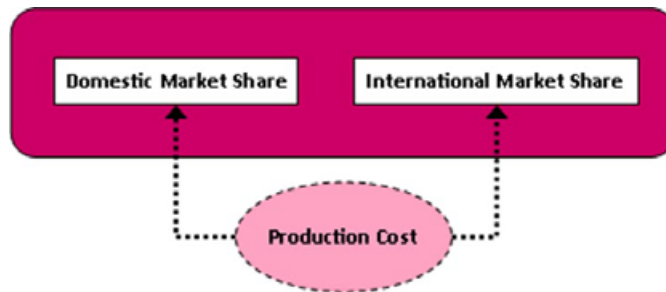


Figure B.7. Market Share Linkages



As powerful and flexible as this tool is, the output it provides is only as good as the inputs provided. The majority of the work for this study was to carefully craft the inputs used to construct a scenario for the economy that faithfully represents all of the events, income flows, and the direct and indirect activity that would not occur in the absence of the economic flows generated by Montana’s banks.

Local banks are at the core of our
Montana communities – empowering
lives and strengthening the state
we love to call home.

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