



**Comptroller of the Currency
Administrator of National Banks**

Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105
(415) 545-5900

PUBLIC DISCLOSURE

December 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ruby Valley National Bank
Charter Number 11008**

**107 South Main
Twin Bridges, Montana 59754-0417**

**Office of the Comptroller of the Currency
490 North 31st St., Suite 220
Billings, MT 59101-1256**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Ruby Valley National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 18, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

We assign this rating based on the following factors:

- A majority of the bank's loans are within its assessment area.
- The bank has a good distribution of loans to small farms and small business borrowers, and to people of different income levels.
- A reasonable loan-to-deposit ratio of 80 percent.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Ruby Valley National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans	Not a meaningful analysis because all of the assessment area is designated as middle income.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

Ruby Valley National Bank is owned by Twinco, a one-bank holding company. The \$32 million institution is located in southwestern Montana in Twin Bridges. They have a branch office in Sheridan, 10 miles southeast of Twin Bridges. This is a small rural, ranching community of approximately 1,300 people. The area's economy is primarily agriculture comprising livestock (cow/calf) operations, and farming of hay, potatoes and small grains.

Ruby Valley National Bank's primary focus is to provide a variety of credit and deposit services to support the needs of consumers, businesses, and agricultural producers located within the assessment area. The composition of the outstanding loan portfolio as of September 30, 1997, is: 35 percent agricultural; 22 percent commercial and industrial; 15 percent one-to-four family residential; 15 percent other real estate; and 13 percent consumer.

The prior Community Reinvestment Act Performance Evaluation was dated December 14, 1994, with an "Outstanding" rating.

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

DESCRIPTION OF *MADISON COUNTY*:

Ruby Valley National Bank determined their assessment area (AA) to be all of Madison County, a non-metropolitan statistical area. The county comprises five block numbering areas (BNAs), all designated as middle income. The BNAs are: 9880 - Harrison; 9881 - Madison Valley (Ennis); 9882 - Twin Bridges; 9883 - Sheridan; and 9884 - Virginia City. Based on 1990 census data, the population of the AA is 5,989.

The AA complies with the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. The demographic makeup of the county is 98 percent White, 1 percent American Indian, and 1 percent Hispanic. The Department of Housing and Urban Development's projected 1997 nonmetropolitan median family income for Montana is \$36,100.

Economic conditions improved over the last couple of years because of improved cattle prices and new business growth in the tourist and fishing industries. The major employers are the United States Forest Service, the area schools, and the R. L. Winston Rod Company.

Community contacts interviewed during this examination included a mayor, a local business person, a hospital administrator, and a member of the planning committee. They indicated that the primary credit needs are agricultural and consumer loan products. The contacts also identified affordable multi-family housing as a need. However, the contacts stated that the lack of housing is not due to lack of credit availability or programs for low-income borrowers. Property available

for building and development is scarce. The average cost of a home is between \$75,000 and \$85,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Given the demographics of the assessment area, the bank’s distribution of borrowers reflects good penetration among individuals of different income levels, and businesses and farms of different sizes. The portion of loan originations to low- and moderate-income people (61 percent of loans reviewed) is comparable to the AA population (40 percent). Approximately 99 percent of business and farm loans reviewed were to small business and farm borrowers.

The tables below show the demographics of the assessment area and the bank’s lending performance in each income category based on our sample of loans. Our loan sample reviewed 1997 loan originations which consisted of 86 percent (by number) of general-purpose consumer loans. We also sampled 98 percent (by number) of business-purpose loans to assess the distribution of loans to various size businesses.

Income Designation of the Borrower	Percent of Families in the Assessment Area	Number of Loans Based on Sample	Percent of Loans Based on Sample
Low	21	89	34
Moderate	19	72	27
Middle	24	55	21
Upper	36	48	18
Total	100	264	100

Business Revenues (000)	Number of Loans Based on Sample	Percent of Loans Based on Sample
0-100	98	55
100-250	65	36
250-500	9	5
500-1,000	6	3
> \$1 million	2	1
Total	180	100

Lending in the Assessment Area

Ruby Valley National Bank originated a large volume of loans in the assessment area. During 1996 and 1997, the bank originated 1,515 out of 2,007 loans (or 75 percent) of their loans within the AA. We determined the percentage of loans within the AA from a bank-generated report of loan originations by BNA. We verified the accuracy of the report by matching a sample of borrowers' addresses from loan applications, to the report.

Loan-to-Deposit Ratio

Ruby Valley National Bank has maintained a loan-to-deposit ratio comparable to two financial institutions within 45 miles of the bank. We averaged each bank's loan-to-deposit ratio for the last eight quarters for comparison. These banks are similarly situated to Ruby Valley National Bank. They are similar in size and their primary lending focus is agriculture. During these eight quarters, the bank's loan-to-deposit ratio increased from 70 percent as of December 31, 1996, to 92 percent as of September 30, 1997, with an average loan-to-deposit ratio of 80 percent. The eight-quarter average loan-to-deposit ratio for the two similarly situated banks are 71 percent and 75 percent.

Geographic Distribution of Loans

We did not analyze the geographic distribution of loans across BNAs of various income levels because they are all designated as middle income. Instead, we looked to the performance under the income level to be more relevant to the bank's performance.

Record of Complaints and Compliance with Antidiscrimination Laws

There were no complaints about the bank's CRA performance from the public.

We found no violations of the substantive provisions of antidiscrimination laws and regulations.