



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 26, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ruby Valley National Bank
Charter Number 11008

107 S. Main Street
Twin Bridges, MT 59754

Office of the Comptroller of the Currency

SALT LAKE CITY (MONT, WYO, IDA
490 North 31st Street Suite 220
Billings, MT 59101-1256

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

Ruby Valley National Bank's (RVNB) CRA performance is Outstanding.

The bank's CRA performance depicts an outstanding practice of providing for the credit needs of their assessment area (AA). The following supports this rating:

- The average loan-to-deposit ratio reflects a strong responsiveness to community credit needs and is substantially higher than similarly situated banks.
- A substantial majority of agricultural, commercial and consumer loans were originated within the bank's assessment area.
- An analysis of loan originations revealed an excellent distribution among small farms and small businesses and to borrowers of different income levels.

SCOPE OF EXAMINATION

The evaluation of the bank's lending performance is based upon the review of loans originated in 2005, 2006 and 2007. The tables included in this section use cumulative data from these three years. We used reports prepared by management and validated the accuracy by randomly sampling 27 loans. Our sample concluded the reports were accurate.

We focused on the bank's primary loan types: agriculture, commercial and consumer. Bank management actively participates in loan programs offered by the Farm Service Agency, Small Business Association and low-interest home loans offered through national mortgage companies. The demand for home loans is not significant due to the rural economy and sparse population of the county. In addition, several of the homes are older or located on ranches and do not meet the secondary market needs. Housing units in the AA include 1-4 residential homes, multi-family units, and manufactured housing. RVNB is an agent for two nationwide mortgage companies that offer first-time home-buyer programs with lower interest rates. These companies also have programs that provide low-interest loans for remodeling homes to meet the specifications of the secondary market. The bank offers first time homebuyer seminars and assists interested borrowers with home loan applications.

Our analysis focused on agricultural loans, commercial loans and consumer loans. The table below shows the number of loans and the dollar amount of loans originated for these three loan types.

Loan Originations During 2005, 2006 and 2007		
Loan Type	Number	Dollar Amount (\$000)
Agricultural Loans	346	\$39,786,735
Commercial Loans	607	\$30,122,335
Consumer Loans	817	\$ 6,937,733
Total	1,770	\$76,846,803

DESCRIPTION OF INSTITUTION

RVNB is small community bank operating in rural, southwest Montana. The bank's main office is located in Twin Bridges, with a branch office ten miles to the South in Sheridan. The bank is wholly owned by Twinco; a one-bank holding company. The bank owns three ATMs located in Alder, Sheridan and Twin Bridges. RVNB's business focus is to provide a variety of credit and deposit services to support the needs of agricultural producers, consumers, and small businesses located within the AA.

As of December 31, 2007, the bank had total assets of \$62.4 million. The percentage of net loans to total assets was 85 percent. The following table displays the breakdown of the bank's loan portfolio.

Loan Portfolio Mix
December 31, 2007

Loan Type	Total Dollar Amount (000s)	Percentage of Loan Portfolio
Real Estate Loans	\$24,118	45.3%
Commercial and Industrial Loans	\$14,989	28.2%
Agricultural Loans	\$10,987	20.6%
Consumer Loans	\$ 2,937	5.4%
Other Loans	\$ 258	.5%
Total Loans	\$53,289	100%

The prior Community Reinvestment Act Performance Evaluation was dated June 3, 2002, 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 ASSESSMENT AREA – Madison County

Ruby Valley National Bank's assessment area consists of Madison County, Montana. The assessment area is not part of metropolitan statistical area (MSA). The county is comprised of three census tracts all designated as middle income. The Census Tracts are: 1 - Madison Valley (Ennis), 2 - Twin Bridges and 3 - Sheridan/Virginia City. Virginia City is the county seat of Madison County. The 2000 Census lists the median housing cost for Madison County at \$116,801. The 2000 Census data shows that of the 4,671 housing units, 45 percent are owner occupied and 37 percent are vacant. It also lists the population of the AA at 6,851.

For 2007, the US Department of Housing and Urban Development (HUD) estimates the non-metropolitan, median family income (MFI) for Montana at \$48,900. The following table provides information on how each income level is defined. Also included in the table is the percent of families within each income level according to the 2000 Census data for Madison County.

Madison County Income Distribution
2000 Census Data

Income Level	Percent of MFI	Income Range	Families	
			Number	Percent
Low-Income	Less than 50%	<\$24,450	377	19.6%
Moderate-Income	51% - 80%	\$24,451 - <\$39,120	438	22.8%
Middle-Income	81% - 120%	\$39,121 - <\$58,680	462	24.0%
Upper-Income	121% and over	>\$58,681	647	33.6%

The assessment area’s economy is largely dependent on agriculture. Livestock is the major agricultural product, with potatoes and small grains also contributing to total agricultural sales. Madison County’s largest industries, based on total number of employees for 2006, are services (25 percent), agriculture (13 percent), retail trade (11 percent) and construction (10 percent). The R. L. Winston Rod Company, AM Welles, Inc., Big Sky Resort, Luzenac America Montana Mine, Madison Valley Hospital, Moonlight Basin Ranch, Moonlight Basin Ski Resort, Ruby Springs Lodge, Saint’s Nursing Services and the Yellowstone Club are the top ten private employers in the assessment area. The area schools and government offices are the major public employers inside the AA.

Bank competitors include three institutions. Two institutions are located in Ennis and the other institution is located just outside the bank’s AA in Dillon. Two branches of regional banks are also located in Dillon. Other financial competition includes a credit union in Sheridan and Farm Credit Services in Dillon.

The OCC interviewed a real estate broker during this examination to better understand community credit needs. Our contact indicated the primary credit needs were agricultural and general consumer loan products, including auto loans, affordable housing, and general purpose loans. The contact also stated the economic conditions in the local area have been negatively impacted by the drought and low agricultural commodity prices.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Ruby Valley National Bank's loan-to-deposit indicates a more than reasonable responsiveness to area credit needs. There are two financial institutions within 45 miles of the bank. These banks are similarly situated to Ruby Valley National Bank. They are similar in size and their primary lending focus is agriculture. We averaged each bank's quarter-end loan-to-deposit ratio from June 2002 through December 2007 for comparison. During this period, RVNB's loans-to-deposit ratio went from 84% on December 31, 2002, to 106% on September 30, 2005, with an average loan-to-deposit ratio of 98%. RVNB's performance was significantly higher compared to the similarly situated banks' average loan-to-deposit ratio off 77%.

Lending in Assessment Area

RVNB originates a substantial majority of its loans within the assessment area. Specifically, 73 percent of the number and 54 percent of the dollar volume of all loans originated during the review period were made within the bank's assessment area. We determined the percentage of loans within the AA from bank-generated reports of loan originations. Our review focused on the bank's primary loan products: agricultural, commercial and consumer loans. The following table shows the distribution of loans by number and dollar amount.

Loan Type	Total		In the AA		Outside the AA	
	Number	Dollar	Number	Dollar	Number	Dollar
Consumer Loans	817	\$6,937,633	667	\$5,225,052	150	\$1,712,681
Agricultural Loans	346	\$39,786,735	223	\$21,525,976	123	\$18,260,759
Commercial Loans	607	\$30,122,335	408	\$14,571,189	199	\$15,551,146
Total	1,770	\$76,846,803	1,298	\$41,322,217	472	\$35,524,586

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

The bank's distribution of borrowers reflects, given the demographics of the assessment area, 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 borrowers is more than reasonable based on their corresponding percent of the AA population. Consumer lending is primarily comprised of auto lending and debt consolidation.

Consumer Lending Activity by Borrower Income Level					
Borrower Income Level	Distribution by Number		Distribution by Dollar Volume (000s)		Percent of Families in Income Category
	Number	Percent	Number	Percent	
Low-Income <24,450	292	44%	\$1,565	30%	21.0%
Moderate-Income 24,451 - <39,120	103	15%	\$1,070	20%	19.2%
Middle-Income 39,120 - <58,680	177	27%	\$1,672	32%	23.9%
Upper-Income >58,681	95	14%	\$ 916	18%	35.9%
Total	667	100%	\$5,223	100%	100.00%

The bank has achieved an excellent distribution of loans among farms of different sizes. The bank's participation in various farm loan programs offered by the Farm Service Agency assists bank management in making small farm loans. Based on recent demographic data obtained from Dunn & Bradstreet, 90 percent of the area farms have revenues less than \$1 million. For the purposes of our review, a "small farm" is defined as having annual revenues less than \$500,000. RVNB originated 94 percent by number to small farms and 76 percent of the loans by dollar volume. The bank originated 83 percent of their agricultural loans to farms with gross annual revenues of \$250 thousand and under. The following table depicts the distribution of the originated agricultural loans based on the farm's revenue size.

Distribution of Agricultural Loans by Revenue Size				
Revenue Size	Distribution by Number		Distribution by Dollar Volume	
	Number	Percent	Dollars (000)	Percent
\$0 to \$250,000	184	83%	\$13,106	61%
\$250,001 to \$500,000	24	11%	\$3,281	15%
\$500,001 to \$750,000	6	3%	\$1,955	9%
\$750,001 to \$1,000,000	4	1%	\$1,930	9%
Greater than \$1,000,000	5	2%	\$1,254	6%
Total	223	100%	\$21,526	100%

Ruby Valley National Bank has demonstrated a strong performance of lending to small businesses. Management participates in the Small Business Administration loan program. Based on demographic data obtained from Dunn & Bradstreet, 62 percent of

the assessment area businesses have sales less than \$1 million. RVNB originated 97 percent by number and 92 percent by dollar of commercial loans to small businesses. In addition, the bank originated 76 percent of their small business loans to business with revenues less than \$250 thousand. The table below depicts the distribution of the originated commercial loans.

Distribution of Commercial Loans by Revenue Size				
Revenue Size	Distribution by Number		Distribution by Dollar Volume	
	Number	Percent	Dollars (000)	Percent
\$0 to \$250,000	312	76%	\$9,808	67%
\$250,001 to \$500,000	48	12%	\$1,393	10%
\$500,001 to \$750,000	12	3%	\$675	5%
\$750,001 to \$1,000,000	23	6%	\$1,456	10%
Greater than \$1,000,000	13	3%	\$1,240	8%
Total	408	100%	\$14,572	100%

Geographic Distribution of Loans

The number of geographies in the assessment is not sufficient for a meaningful analysis of the geographic distribution of the bank's loans in its assessment area. The AA has three census tracts, of which, all are middle income tracts.

The homogeneous nature of the bank's assessment area precludes detailed analysis of loan distribution within the different geographies. We focused on the bank's lending performance to small farms, small businesses, and people of different income levels.

Responses to Complaints

Ruby Valley National Bank did not receive any complaints regarding their CRA performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.