



Comptroller of the Currency
Administrator of National Banks

SMALL
BANK

PUBLIC DISCLOSURE

March 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Ekalaka
Charter Number 11382**

**Corner of Chicago and Main
Ekalaka, Montana 59324**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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.

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 **The First National Bank of Ekalaka** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 30, 1998. 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.**”

The First National Bank of Ekalaka meets the rating definition of satisfactory because of:

- A good distribution of loans to small farms and small business borrowers, and people of different income levels;
- A substantial majority of the loans are in the assessment area; and
- A good loan-to-deposit ratio of 79 percent.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Ekalaka Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	✓		
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		✓	
Geographic Distribution of Loans	Not a meaningful analysis because the whole assessment area is designated as moderate income.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of Ekalaka is a \$19 million institution in a remote, rural area of southeastern Montana. First National Bank of Ekalaka's primary focus is to provide a variety of credit and deposit services to support the needs of consumers, businesses, and agricultural producers found within the assessment area.

The composition of the outstanding loan portfolio as of December 31, 1997, is: 71 percent agricultural; 10 percent real estate (9 percent farmland and 1 percent residential); 10 percent commercial and industrial; and 9 percent consumer.

The prior Community Reinvestment Act Performance Evaluation was dated June 12, 1995, with a "Satisfactory" 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 *CARTER COUNTY*:

First National Bank of Ekalaka determined their assessment area (AA) to be all of Carter County, a nonmetropolitan statistical area. The county comprises two block numbering areas (BNA) all designated as moderate income. The BNAs are: 9602 - Ekalaka; and 9603 - Little Missouri. Based on the 1990 Census data, the population of the AA is 1,503. Ekalaka's population is 439.

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 99 percent white, with the remaining 1 percent divided among American Indian and Hispanic. The Department of Housing and Urban Development's projected 1997 non-metropolitan median family income for Montana is \$36,100.

Ekalaka is the Carter county seat. The local economy is dependent upon ranching and farming. The current economic condition of the assessment area is stable.

Community contacts interviewed during this examination included a county commissioner and two business owners. They said the primary credit needs were agricultural and consumer loan products and the bank was meeting these needs. The contacts also identified that a paved north-south highway would greatly benefit the town and the community. Residents in the southern third of the county generally travel to Wyoming or South Dakota towns for banking needs. This is due to the lack of paved roads going north to Ekalaka. Currently, Highway 323 is primarily a gravel road. Housing is limited, but there is not a significant demand for it. The average cost of a home is between \$18,000 and \$25,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Income Levels and 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 people exceeds or corresponds to the percentage of the AA population.

The tables below show the demographics of the AA and the bank's lending performance in each income category based on our sample of loans. Our loan sample reviewed 20 installment loans, 10 real estate loans, 10 agricultural loans, and 10 commercial loans. Only 27 out of the 50 loans had income information in the loan file.

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	31	13	48
Moderate	23	5	19
Middle	15	2	7
Upper	31	7	26
Total	100	27	100

We define a small farm as having gross revenues of less than 500,000 dollars and a small business has revenues of \$1 million or less. From our sample of 10 agricultural loans and 10 commercial loans all loans were made to small farms and small businesses. This was based on the loan amount and discussion with loan officers. Only 15 loans had revenue information.

Business Revenues (000)	Number of Loans Based on Sample	Percent of Loans Based on Sample
0-100	7	47
100-250	4	27
250-500	4	26
500-1,000	0	0
> \$1 million	0	0
Total	15	100

Lending in the Assessment Area

A substantial majority of loans are to borrowers who reside or do business within the bank's AA. Based on our sample of 50 loans, 42 loans (84 percent), of the loans made are in the bank's AA. The 42 loans represent \$2.18 million of the loan portfolio.

Loan-to-Deposit Ratio

The First National Bank of Ekalaka has maintained a loan-to-deposit ratio comparable to the next closest financial institution. This bank is found 35 miles north of Ekalaka and their primary lending focus is agriculture. They are larger in asset size than First National Bank of Ekalaka. We averaged each bank's loan-to-deposit ratio for the last eight quarters for comparison. During these eight quarters, the bank's loan-to-deposit ratio went from 68 percent on December 31, 1996, to 91 percent as of June 30, 1997, with an average loan-to-deposit ratio of 79 percent. The eight-quarter average loan-to-deposit ratio for the other similarly situated bank is 73 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 moderate 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 and we found no violations of the substantive provisions of antidiscrimination laws and regulations.