



PUBLIC DISCLOSURE

November 07, 2013

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 Field Office
2795 Cottonwood Parkway, Suite 390
Salt Lake City, UT 84121

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

The major factors supporting the institution's rating are:

- Ruby Valley National Bank's (RVNB) loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs of the assessment area (AA).
- RVNB originates a majority of its loans in the assessment area.
- The bank's distribution of small farms and small business loans reflects excellent penetration to borrowers of different revenues.

SCOPE OF EXAMINATION

We evaluated RVNB's Community Reinvestment Act (CRA) performance under the CRA small bank criteria, which focus on the lending test. The lending test determines conclusions for the five performance criteria. The evaluation period for this examination covers lending performance from the date of the previous CRA examination, February 26, 2008, through the start date of this examination, November 7, 2013. To focus on current lending practices, we analyzed loan originations in the testing period of January 1, 2012, through September 30, 2013, which is representative of the bank's lending strategy since the previous CRA examination. Concurrent with this evaluation, we tested the bank's loan origination data for accuracy. We found the data to be reliable and used the data in the evaluation.

RVNB's primary loan products are small farm loans and small business loans. These categories represent 80 percent of total loans. Management stated consistent with their strategy, small farm loans and small business loans are the bank's primary loan products.

DESCRIPTION OF INSTITUTION

RVNB is a small community bank operating in rural, southwest Montana. The bank's main office is located in Twin Bridges, Montana, and a branch is located in Sheridan, Montana. The bank owns three ATMs, which are located in Alder, Sheridan and Twin Bridges. As of September 30, 2013, RVNB reported \$81 million in total assets, \$60 million in gross loans, \$69 million in total deposits, and \$11 million in equity capital. Net loans represented 84 percent of total deposits. RVNB's business focus is to provide a variety of credit and deposit services to support the needs of agricultural producers, small businesses, and consumers located within the AA. The bank is wholly-owned by TwinCo, Incorporated, a one-bank holding company.

RVNB's CRA performance was rated "Outstanding" during the last evaluation period dated February 26, 2008.

DESCRIPTION OF MADISON COUNTY ASSESSMENT AREA

RVNB designates all of Madison County, Montana, as its AA. The AA is reasonable based on the size, location, and lending capacity of the institution. Madison County is comprised of three middle-income census tracts. The AA is not part of a metropolitan statistical area and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income census tracts. The Federal Financial Institution Examination Council designates all three counties as underserved because of their rural and remote nature.

Data from the 2010 U.S. Census shows 10.81 percent of Montana non- Metropolitan Statistical Area (MSA) households are below the poverty level. The HUD-adjusted median family income for non-MSAs in Montana is \$56,600. Madison County has a population of 7,691 individuals. The unemployment rate is at 3.17 percent.

Table 1 illustrates demographic data on population, families, and housing units within the AA as follows:

Demographic	Based on 2010 U.S. Census Data
Population	7,691
Total Families	2,239
1-4 Family Units	5,681
Multi-family Units	809
% Owner-Occupied Units	41
% Rental-Occupied Units	18
%Vacant Housing Units	41
Weighted Average Median Housing Value	\$244,382
Number of Census Tracts	3
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	0
% Middle-Income Census Tracts	100
% Upper-Income Census Tracts	0
Weighted Average Median Family Income	\$52,994
HUD-Adjusted Median Family Income	\$56,600
% of Families Below Poverty Level	10.81

Source: 2010 U.S. Census data.

In order to gain a better understanding of the economic conditions and credit needs within RVNB’s AA, we contacted a realtor in Twin Bridges, Montana. The contact stated the local economy is stable. The contact indicated Twin Bridges is a small and rural town, and RVNB (the only financial institution in Twin Bridges) is satisfactorily meeting the credit needs of the community. However, the contact did say that there are limited choices.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

RVNB's LTD ratio is more than reasonable. The quarterly average LTD ratio calculated since the last CRA evaluation to September 30, 2013 is 89.91 percent. There are seven institutions to consider in the bank's peer group in relation to size and assessment area credit needs. These institutions are located in Madison County as well as surrounding counties and have assets ranging from \$52 million to \$130 million. The average quarterly LTD ratio for this peer group was 78.47 percent, with the averages ranging from 68.51 percent to 92.34 percent.

Providing further support that RVNB's lending levels are more than reasonable is the bank's deposit market share in the AA. As of June 2013, Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits Report shows RVNB ranked second in the AA with a deposit market share of 43.72 percent while RVNB's LTD ratio is higher than the institution ranked first in deposit market share.

Lending in Assessment Area

Overall, RVNB originated a majority of its loans inside its designated AA.

As reflected in Table 2, RVNB originated 69 percent of small farm and small business loans to borrowers inside the AA by number, and 61 percent of small farm and small business loans to borrowers inside the AA by dollar amount.

Table 2 - Lending in Madison County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Small Farm	83	68	42	32	125	17,924	68	8,304	32	26,228
Small Business	115	70	49	30	164	5,118	45	6,183	55	11,301
Total	198	69	91	31	289	23,042	61	14,487	38	37,529

Source: Loan origination data for 1/1/2012 through 9/30/2013.

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

The bank's overall penetration of lending to farms and businesses of different sizes and revenues in the AA is excellent. RVNB's lending to small businesses in the AA exceeds the demographic comparator. RVNB's lending performance to farms of different sizes is near AA demographics, which is partially mitigated by the bank's performance in lending to small farms in the AA with revenues of \$250,000 or less and in making loans of \$250,000 or less to AA businesses. Please refer to the narratives under "Small Farms" and "Small Businesses" below.

Small Farms

As reflected in the table 3A below, RVNB's lending performance to farms of different sizes is near AA demographics. Loan origin data shows RVNB originated 93 percent of the number of loans to farms with gross revenues of \$1 million or less, while AA demographics show 98 percent of AA farms have gross revenues of \$1 million or less. RVNB's lending performance by dollar amount is lower than the demographic comparator and reflects lending performance skewed by loan originations to a small number of high revenue farm operations. However, it is noteworthy that RVNB granted 68 percent of its farm loans to very small farms that have revenues of \$250,000 or less.

Table 3A - Borrower Distribution of Loans to Farms in Madison County AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98	1	1	100
% of Bank Loans in AA by #	93	7	0	100
% of Bank Loans in AA by \$	85	15	0	100

Source: 2010 Census and Business Demographic Summary; Loan origination data for 1/1/2012 through 9/30/2013.

Small Businesses

RVNB's lending to small businesses in the AA exceeds the demographic comparator. The bank originated 95 percent of its business loans to small businesses both by number of loans and by dollar amount in the period from January 1, 2012, through September 30, 2013. This compares favorably to AA demographics that show 75 percent of AA businesses have revenues of \$1 million or less. The percentage of AA businesses that do not report is material at 22 percent, and this decreases the reliability of comparing the bank's lending to the demographic comparator. However, it is noteworthy that 86 percent of the bank's business loan originations are for \$100,000 or less, and 98 percent of business loan originations are for \$250,000 or less. If loan amount is a proxy for revenue size, RVNB's performance in making loans to small businesses in the AA exceeds the demographic comparator.

Table 3B - Borrower Distribution of Loans to Businesses in Madison County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	75	3	22	100
% of Bank Loans in AA by #	95	4	1	100
% of Bank Loans in AA by \$	95	5	0	100

Source: 2010 Census and Business Demographic Summary; Loan origination data for 1/1/2012 through 9/30/2013.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans originated in the AA during the evaluation period would not be meaningful. The AA does not contain low- or moderate-income tracts.

Responses to Complaints

No complaints have been received by the bank or the OCC relating to the bank's CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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