



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 20, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Continental National Bank of Harlowton
Charter Number 13417**

**32 North Central
Harlowton, Montana 59036**

**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 Continental National Bank of Harlowton** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 17, 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:

- The bank has a good distribution of loans to small farms and small business borrowers, and people of different income levels.
- The geographic distribution of the bank's loans reflects a reasonable dispersion throughout the assessment area.
- A substantial majority of the bank's loans are within its assessment area.
- The bank has a reasonable loan-to-deposit ratio of 64 percent.

The following table indicates the performance level of The Continental National Bank of Harlowton with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Continental National Bank of Harlowton 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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

The Continental National Bank of Harlowton is a rural bank owned by a group of investors. Total bank assets as of December 31, 1996, are \$30.5 million. They have one 24 hour ATM located in the entry way of the bank. Continental National Bank's primary 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 assessment area (AA).

The composition of the loan portfolio as of December 31, 1996, is: 41 percent agricultural; 15 percent farmland; 13 percent commercial and industrial; 12 percent consumer; 10 percent one-to-four family residential; and 9 percent other real estate.

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 WHEATLAND, MEAGHER AND GOLDEN VALLEY COUNTIES:

The Continental National Bank of Harlowton's assessment area is in a non-metropolitan statistical area (MSA) and consists of six block numbering areas (BNA), including all of Wheatland, Meagher, and Golden Valley counties. Four BNAs are designated as moderate income and the BNA that includes the town of Harlowton is moderate income. There are no BNAs in low- or upper-income geographies. Harlowton is the county seat for Wheatland County. The county population is 2,246 based on 1990 Census data. It is centrally located between four of Montana's major cities and about two hours from each of them.

The AA complies with the Community Reinvestment Act and does not arbitrarily exclude low- or moderate- income geographies. The population of the AA is 4,977. The demographic makeup of the counties is 98 percent white and the remaining 2 percent American Indian.

The 1990 U.S. Census data shows non-MSA median family income for Montana is \$27,349.

The current economic condition of the AA is stable. The population has remained constant over the last five years. Major industries include small farms, services and retail trade. Within the assessment area there are two other financial institutions, a bank, and a credit union.

Community contacts interviewed during this examination included a real estate broker, a local business owner, and the owner/publisher of the local newspaper. They indicated the primary credit needs were agricultural and consumer loan products. The contacts also identified affordable, multi-family housing as a need. According to the county clerk the average home costs about \$40,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The Continental National Bank of Harlowton has maintained a loan-to-deposit ratio comparable to three financial institutions within 60 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 The Continental National Bank of Harlowton. They are similar in size and their primary lending focus is agriculture. During these eight quarters, the bank’s loan-to-deposit ratio went from 56 percent on December 31, 1995, to 71 percent on September 30, 1996, with an average loan-to-deposit ratio of 64 percent. The eight-quarter average loan-to-deposit ratio for the three similarly situated banks is 61 percent, 66 percent, and 67 percent.

Lending in the Assessment Area (AA)

A substantial majority of loans are to borrowers who reside or do business within the bank’s AA. Based on our sample of 139 loans, 129 (93 percent) of the loans made are in the bank’s AA.

The table below reflects the composition of the AAs by BNA. It shows the bank’s AAs do not contain any low- or upper-income BNAs.

BNA TRACT CHARACTERISTICS							
BNA Tract Type	Wheatland County		Meagher County		Golden Valley County		Total BNA Tracts (%)
	#	% of Total	#	% of Total	#	% of Total	
Low Income	0	0	0	0	0	0	0
Moderate Income	2	33	1	17	1	17	67
Middle Income	0	0	1	17	1	16	33
Upper Income	0	0	0	0	0	0	0

Further analysis of the bank’s assessment areas shows that 26 percent of the families are low-income families and 25 percent are moderate-income families. Therefore 51 percent of the total families are low- and moderate-income families living in moderate- and middle-income BNA tracts. The following table illustrates this conclusion.

PERCENTAGE OF FAMILIES WITHIN ALL TRACTS BY INCOME LEVEL		
Income Level	# Families	% of Total Families
Low Income	329	26
Moderate Income	323	25
Middle Income	280	23
Upper Income	335	26
Total	1267	100

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 bank offers a special loan program during the Christmas season called X-mas Bucks. It is a six-month, no-interest loan with a maximum total of \$500. We tested 53 X-Mas Buck loans originated in 1995 and 1996. From the loans tested, 74 percent were made to low- and moderate-income borrowers.

The table below shows the distribution of 30 home mortgage loans that we sampled compared with the demographics of the assessment area. Loans to low- and moderate-income borrowers totaled 17 percent of loans reviewed.

Income Designation of the Borrower	% of Families in the AA	# of Loans	% of Loans Based on Sample
Low	26	3	10
Moderate	26	2	7
Middle	22	13	43
Upper	26	12	40
Total	100	30	100

The next table shows that The Continental National Bank of Harlowton is rated satisfactory for loaning to businesses of various sizes. From our sample of 20 loans, 19 were made to

small businesses (revenues less than \$1 million) and small farms (revenues less than \$500,000). One loan was made to a large farm (revenues greater than \$500,000).

Business Revenues (\$000)	Number of Loan Originations	Percent of Loan Originations
0-100	3	15
100-250	9	45
250-500	5	25
500-1,000	3	15
> 1 million	0	0
Total	20	100

Geographic Distribution of Loans

The bank’s lending activities reflect reasonable dispersion throughout the AA. The table below compares the bank’s residential loan activity with the percentage of various income level BNAs that comprise the assessment area. Based on the assessment area’s demographic elements, the bank’s lending patterns naturally fall in moderate-income BNAs.

LENDING IN ASSESSMENT AREA BY BNA TRACT TYPE					
Income Level	% of Assessment Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts (000's)	% of Loans (\$)
Low	0	0	0	0	0
Moderate	67	94	100	\$602	100
Middle	33	0	0	0	0
Upper	0	0	0	0	0
Total	100	94	100	\$602	100

The table indicates that loans are not being made in middle-income tracts where White Sulphur Springs and Ryegate are located. This is mitigated by three reasons: 1) The town of White Sulphur Springs is serviced by another financial institution; 2) The town of Ryegate

does not have a demand for residential real estate loans; and 3) loans in the Ryegate area are predominately agricultural operating lines.

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.