



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 05, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**32 North Central Avenue
Harlowton, MT 59036**

**Comptroller of the Currency
Billings Field Office
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 Satisfactory.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our evaluation of the bank's lending performance is based upon our review of loans originated from 2000 to 2004. We randomly selected 72 loans: 23 commercial loans, 25 agricultural loans and 24 residential real estate loans. We obtained demographic information from the 2000 United States Census.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit (LTD) ratio reflects a satisfactory responsiveness to community credit needs and is comparable to similarly situated banks.

Similarly situated banks are those banks of similar business lines and comparable asset size operating in the same geography. We compared the bank's loan-to-deposit ratio with four other institutions. Based on this comparison, The Continental National Bank of Harlowton's (CNB) loan-to-deposit ratio indicates a reasonable responsiveness to area credit needs. We averaged each bank's loan-to-deposit ratio for the last thirteen quarters for comparison ending December 31, 2003. CNB's loan-to-deposit ratio average was 65 percent, compared to the four similarly situated banks of 68 percent.

Lending in Assessment Area

CNB originated a substantial majority of its loans in the assessment area (AA).

Specifically, 92 percent of the number and 93 percent of the dollar volume of all loans originated during the review period were made within the bank's assessment area.

Lending to Borrowers of Different Incomes

The Continental National Bank of Harlowton participates with the United States Rural Development Association in offering home loans for low and moderate-income individuals. They also work with Montana Board of Housing in offering first time home purchase loans. During this review period, management closed four loans for a total of \$365,073.

The bank has an excellent record of lending to individuals of different income levels.

The distribution of residential real estate borrowers is good. Based on 21 borrowers sampled, the bank's performance in originating loans to low- and moderate-income individuals is outstanding compared to the percentage of low- to moderate-income individuals in the assessment area (AA) population.

Lending to Businesses of Different Sizes

The Continental National Bank of Harlowton has an excellent distribution of loans to small businesses and small farms.

CNB has demonstrated good performance of lending to small businesses. Management participates in the Small Business Administration loan program. Based on demographic data obtained from 2002 Dun and Bradstreet reports, 66 percent of the assessment area businesses have sales less than \$1 million. CNB originated 100 percent by number and by dollar of commercial loans to small businesses. In addition, the bank originated 95 percent by number of their small business loans to businesses with revenues less than \$250 thousand.

The bank has achieved a good distribution of loans among farms of different sizes. The bank's participation in programs offered by the Farm Service Agency assists bank management in making small farm loans. Based on demographic data obtained from 2002 Dun and Bradstreet reports, 91 percent of the area farms have revenues less than \$1 million. CNB originated 68 percent of the loans by dollar volume and 87 percent by number to small farms. The bank originated 74 percent by number of their agricultural loans to farms with gross annual revenues of \$250 thousand and under.

Geographic Distribution of Loans

CNB of Harlowton's assessment area contains insufficient diversity to make a geographic distribution analysis meaningful. The assessment area consists of three census tracts, all of which are middle-income.

Responses to Complaint

CNB of Harlowton did not receive any consumer complaints about its performance in helping to meet the credit needs of the assessment area during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

The Continental National Bank of Harlowton (CNB) is a full service community bank operating in rural, central Montana. As of December 31, 2003, total assets equaled \$39 million and net loans to total assets were 60 percent. A group of local investors owns the bank. The bank has one branch office in Ryegate, Montana. They also own three ATMs located in Harlowton and Ryegate. Two of the three ATMs are accessible 24 hours. CNB'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 prior Community Reinvestment Act Performance Evaluation was dated October 19, 1999

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.

Please refer to the bank's *CRA Public File* for more information.

DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area includes all of Wheatland, Golden Valley and Meagher Counties and is not part of a metropolitan statistical area. The AA is comprised of all middle-income census tracts and does not arbitrarily exclude any low- or moderate-income areas. According to 2000 Census data, 50 percent of the 2,967 housing units in the AA were owner occupied, and 31 percent were vacant. Census data also lists the population of the AA at 5,233. For 2003, the US Department of Housing and Urban Development (HUD) estimates the non-metropolitan, median family income (MFI) for Montana at \$42,200. Based on information obtained from a local realtor the average cost of a home is between \$50,000 and \$55,000. The average age of the assessment area is 50 years.

The AA's economy is largely dependent on the agricultural business, primarily cow-calf operators. Based on total number of employees in 2002, the assessment area's largest industries are Agriculture (26 percent), Services (23 percent), and Retail trade (12 percent). Major employers include local school districts, county and federal government agencies and the hospital. CNB's competition in the assessment area comes from one other bank and a credit union.

We contacted a local realtor to discuss economic conditions and credit needs. The town of Harlowton has a generally stable economic base with the major employers being the hospital, schools and U. S. Forest Service. The financial institutions are supportive of the community. They have also participated in the first time homebuyer program.

Please refer to the bank's *CRA Public File* for more information.