



## **PUBLIC DISCLOSURE**

July 10, 2006

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**THE JACKSON STATE BANK & TRUST  
RSSD# 14258**

**112 NORTH CENTER STREET  
JACKSON, WYOMING 83001**

**Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, Missouri 64198**

**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.

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**INSTITUTION'S CRA RATING:** *The Jackson State Bank & Trust is rated: Satisfactory*  
*The Lending Test is rated: Satisfactory*  
*The Community Development Test is rated: Satisfactory*

The Jackson State Bank & Trust (JSB) has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, low- and moderate-income individuals, and small businesses in a manner consistent with its resources, operating philosophy, and community needs.

The major factors supporting the institution's rating include:

**Lending Test:**

- JSB's loan-to-deposit (LTD) ratio reflects a more than reasonable effort to extend credit consistent with safe and sound banking practices.
- A high percentage of loans were originated within the bank's assessment area.
- The distribution of loans reflects a good penetration among borrowers of different income levels and businesses of different sizes.

**Community Development Test:**

- The bank makes an adequate level of community development loans in its assessment area.
- The bank has an adequate level of qualified community development donations and grants.
- JSB provides a relatively high level of community development services.

**SCOPE OF EXAMINATION**

An evaluation of JSB's CRA performance was conducted on July 10, 2006, using the Federal Financial Institutions Examinations Council's (FFIEC) *Examination Procedures for Intermediate Small Banks*. The evaluation included a full-scope review of the bank's one assessment area.

The bank's lending performance was based on a statistically-derived sample of loan files for each major product line. The major product lines were determined through discussions with bank management, a review of the bank's Report of Condition and Income (Call Report), and a review of the number of loan originations since the bank's last Community Reinvestment Act (CRA) examination in June 2004. The two products selected for an analysis were small business and residential real estate (in-house) loan originations between the period of January 1 and December 31, 2005. The sample size consisted of a total of 134 loans, of

which 71 were small business and 63 were residential real estate loans. The bank's lending performance did not include any lending activities of the bank's affiliated relationships.

Three of the five criteria used in evaluating intermediate small bank lending performance were relevant to this review and are as follows:

- LTD Ratio
- Lending Inside the Assessment Area
- Lending to Businesses of Different Revenue Sizes and Borrowers of Different Income Levels

The bank's distribution of loans among different geographies, the fourth criteria, was not evaluated as all of the banks assessment area tracts are the same income level and an analysis of these tracts would not be meaningful. The bank's responsiveness to complaints under the CRA, the fifth core criteria used to assess intermediate small bank performance, was not evaluated because the bank has not received any such complaints.

The community development test considered JSB's community development lending, all investments, grants, and contributions made since the prior examination date of June 14, 2004 through July 10, 2006. In addition, outstanding balances on community development loans and investments from prior periods also were considered. At the bank's request, the community development services and activities were reviewed from January 1, 2004 to December 31, 2005.

Interviews with members of the community within the bank's assessment area were conducted during the examination to ascertain the credit needs of the community, the availability of community development investment opportunities, and local economic conditions. One of the contacts was from a nonprofit affordable housing organization and the other contact was a member of the local county government.

Definitions for many of the terms used in this performance evaluation can be found in Section 228.12 of Regulation BB. For additional convenience, a glossary of common CRA terms is attached at the end of this performance evaluation in Appendix A.

## **DESCRIPTION OF INSTITUTION**

JSB is a wholly owned subsidiary of United Bancorporation of Wyoming Inc., a multibank holding company with corporate offices in Jackson, Wyoming, and total assets of \$1,284MM. In addition to JSB, the company has three other subsidiary banks located in Pinedale, Cody, and Sheridan, Wyoming. JSB also is headquartered in Jackson, Wyoming, and operates four branches throughout Teton County. Two locations are located in Jackson, while one office is located eight miles west in Wilson, Wyoming, and the other office is located about 14 miles to the north in Teton Village, Wyoming. Each office has a full-service automated teller machine

(ATM) and the bank operates an additional 12 cash-dispensing ATMs throughout Teton County which are located in various retail outlets and hotels.

The bank is the largest of the five Federal Deposit Insurance Corporation (FDIC)-insured financial institutions located in Teton County. According to the June 30, 2005, FDIC Market Share Report, the bank's four offices hold nearly 60 percent of the area deposits, an increase of 3 percent from the previous year. JSB's primary competitors include Bank of Jackson Hole, First Interstate Bank, Bank of the West, and First Bank of the Tetons.

As of the March 31, 2006, Call Report, the bank reported total assets of \$820,138M, \$647,560M in gross loans, and \$731,623M in total deposits. As shown in Table 1, the bank's primary lending focus is on real estate and commercial loan products. The bank's real estate portfolio breakdown is 36 percent construction and land development loans, 30 percent commercial property, and 30 percent residential real estate. In addition, the bank originates a large volume of consumer residential real estate loans that are sold on the secondary market and are not reflected on the bank's Call Report. For the year 2005, the bank originated 376 secondary market loans in the amount of \$206,551M.

<b>TABLE 1 THE JACKSON STATE BANK &amp; TRUST'S LOAN PORTFOLIO</b>		
<b>Loan Type</b>	<b>Amount (\$000)</b>	<b>Percent of Total</b>
Real Estate	530,467	82
Commercial	96,316	15
Consumer	8,692	<1
Other	8,264	>1
Agricultural	3,821	>1
<b>Total Gross Loans</b>	<b>647,560</b>	<b>100</b>

The evaluation of CRA performance was considered in the context of the bank's financial capacity, legal impediments, competitive and economic conditions, and demographic changes that may have affected the bank's ability to extend credit or invest in community development projects. The analysis did not reveal any legal impediments or financial constraints that restricted the bank's ability to lend. However, the competition for loans and community development activities is strong from the other banks and other financial institutions located in the county.

The bank's performance under the CRA was last evaluated using large bank procedures on June 14, 2004, when it was assigned a "Satisfactory" rating by the Federal Reserve Bank of Kansas City.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

Jackson, Wyoming is in the heart of Teton County located in the northwestern part of the state approximately 20 miles to the east of the Idaho border. Teton County encompasses the Grand Teton National Park and portions of Yellowstone National Park. Over 97 percent of the land area in the county is government-owned, providing only limited space for private development. Given the area's beautiful scenery and mountainous terrain, the area is a popular tourist destination providing both winter and summer recreational activities. The area is sparsely populated with a 2004 total population of 18,251. Census Bureau data indicated that the area's population has grown by 3.9 percent from 2000 to 2004.

The bank has delineated all of Teton County as its assessment area. Per Census Bureau data, the area consists of only three upper-income tracts. The bank's assessment area has not changed since the last examination and does not arbitrarily exclude any low- or moderate-income tracts in any surrounding counties.

In recent years, the Teton County area has become very affluent with a positive migration of new residents. The area's desirable location, natural beauty, abundance of outdoor activities, and cultural options, coupled with Wyoming's low tax rates, have resulted in attracting a number of wealthy individuals into the area who have built vacation homes or part-time residencies. The area also attracts a number of transient residents who come to work in the area during the peak winter and summer seasons.

The region's wealth is reflected by the staggering variances in income compared with other nonmetropolitan areas inside Wyoming. According to the 2003 Bureau of Economic Analysis (BEA), the per capita personal income in Teton County was \$73,297 compared with \$32,433 for the state. The 2005 median family income of \$76,700, according to the Department of Housing and Urban Development (HUD), is 139 percent higher than other nonmetropolitan areas inside Wyoming. Despite the area's high income levels, housing affordability continues to be problematic. Because of its high housing costs, according to 2000 Census data, the area's housing affordability rate was 15 percent, which was substantially lower than in statewide nonmetropolitan areas of 41 percent. Further, the area's 2002 median housing value, as estimated by the Teton County Housing Authority, was \$565,000. Because of this significant affordability gap, a large number of workers are forced to reside in other smaller communities 30 to 60 miles away or to share residence with others. Moreover, the lack of affordable housing makes it difficult for businesses and governmental services to attract and retain professionals such as doctors, teachers, medical, fire, and police personnel.

The area is highly reliant on tourism and other service industries. However, the largest employers in Teton County are federal and local governments including the National Forest Service, followed by the Teton County School District, and St. Johns Medical Center. Despite the area's seasonality, the unemployment rate has remained stable at about 2.9 percent. According to a 2002 Teton County Housing Authority report, 57 percent of the county's jobs are in retail trade and services and the average annual wage of employees in Teton County is only \$26,936.

Members of the community interviewed during this examination agreed that the economic conditions in Jackson continue to be very good, but the lack of affordable housing remains the area's greatest need. Due to escalating home values, most of the area's workers are forced to live in less expensive communities in northern Lincoln County to the south of Jackson or across the state border in Idaho. Furthermore, the contacts stated that as these other communities become more economically viable, and with the increasing cost of living in Jackson, there is a growing concern of out-migration and a loss of jobs in the Jackson community. The housing contact also mentioned that despite households earning up to 120 percent of median family income being eligible for affordable housing, they still cannot qualify for home purchase loans because of the area's high cost of living. The contacts stated that there are opportunities for banks to participate in loans to affordable housing agencies and other nonprofit organizations, but that it is very competitive amongst the area banks. Neither contact was aware of any community development investments currently available.

Additional assessment area demographics and characteristics based upon 2000 Census data and 2004 Dun & Bradstreet (DB) data are summarized in Table 2.

<b>TABLE 2 TETON COUNTY ASSESSMENT AREA DEMOGRAPHICS</b>									
<b>Income Categories</b>	<b>Tract Distribution</b>		<b>Families by Tract Income</b>		<b>Families &lt; Poverty Level as % of Families by Tract</b>		<b>Families by Family Income</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	0	0.0	0	0.0	0	0.0	287	6.7	
Moderate-income	0	0.0	0	0.0	0	0.0	559	13.1	
Middle-income	0	0.0	0	0.0	0	0.0	771	18.1	
Upper-income	3	100.0	4,254	100.0	117	2.8	2,637	62.1	
<b>Total Assessment Area</b>	<b>3</b>	<b>100.0</b>	<b>4,254</b>	<b>100.0</b>	<b>117</b>	<b>2.8</b>	<b>4,254</b>	<b>100.0</b>	
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>							
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>		
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	0	0	0.0	0.0	0	0.0	0	0.0	
Upper-income	10,267	4,216	100.0	41.1	3,472	33.8	2,579	25.1	
<b>Total Assessment Area</b>	<b>10,267</b>	<b>4,216</b>	<b>100.0</b>	<b>41.1</b>	<b>3,472</b>	<b>33.8</b>	<b>2,579</b>	<b>25.1</b>	
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>							
				<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	0	0.0	0	0.0	0	0.0	0	0.0	
Upper-income	1,935	100.0	1,725	100.0	162	100.0	48	100.0	
<b>Total Assessment Area</b>	<b>1,935</b>	<b>100.0</b>	<b>1,725</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	
	<b>Percentage of Total Businesses:</b>			<b>89.1</b>		<b>8.4</b>		<b>2.5</b>	

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Overall conclusions regarding the lending, investment and service tests are summarized in the following sections. Each test is evaluated for performance characteristics described in Appendix B of Regulation BB, which implements the CRA. Data used for this evaluation included the bank's performance data and area demographic information.

### **LENDING TEST**

Overall JSB's performance under the lending test is Satisfactory. The bank's LTD ratio reflects a more than reasonable effort to extend credit consistent with safe and sound banking practices. The majority of the bank's lending activity occurred inside its assessment area. In addition, the bank's distribution of loans to individuals of different income levels and to businesses of different revenues sizes was considered reasonable.

#### **Loan-to-Deposit Ratio**

This performance standard evaluates the reasonableness of the bank's aggregate LTD ratio in light of performance context information, including the institution's capacity to lend, demographic and economic factors present in the assessment area, and the availability of lending opportunities. The bank's net LTD ratio over the past eight quarters has averaged 91 percent. This average LTD ratio was compared with that of several other similarly situated financial institutions located within, and surrounding, the bank's assessment area. During the same time period, these banks also had an average LTD ratio of 91 percent. The bank's LTD performance also was compared with other rural banks in the State of Wyoming with assets between \$300MM and \$1,000MM and with the bank's national peer group. The average LTD over the same period for these peer groups were 87 and 85 percent, respectively. Overall, the bank's LTD ratio compares similarly among the various peer groups. However, the bank holds a sizeable amount of public deposits that are pledged by securities and are unavailable for lending. Adjusting for these pledged deposits, the bank's average LTD ratio would be closer to 98 percent. Considering the bank's secondary market activity and the amount of pledged deposits, the bank's performance under this test is considered outstanding.

#### **Lending in the Bank's Assessment Area**

This lending test evaluates the concentration of small business and residential real estate loans originated by the bank in its assessment area. As shown in Table 3, a majority of loans in terms of both number and dollar amount were originated in the bank's assessment area. The bank's performance under this category is considered satisfactory.



TABLE 3 THE JACKSON STATE BANK & TRUST'S SUMMARY OF LENDING PERFORMANCE								
Lending within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
Residential Real Estate	42	67	15,721	84	21	33	3,018	16
Small Business	60	85	10,735	83	11	15	2,165	17
<b>TOTAL</b>	102	76	26,456	84	32	24	5,183	16
Distribution by Borrower Income Level and Revenue Size of Business								
	% of Bank Loans				% of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Residential Real Estate	7.1	11.9	16.7	64.3	6.7	13.1	18.1	62.1
	% of Bank Loans				% of Small Businesses			
Small Business	70.0				89.1			

**Distribution by Borrower Income and Revenue Size of Businesses**

This lending test reviews the bank's residential home mortgage lending distribution to borrowers of different income levels, with an emphasis on the lending to low- and moderate-income families. This test also focuses on the bank's level of lending to small businesses, which are those businesses with gross annual revenues less than \$1MM. Overall, the bank's performance is satisfactory

*Residential Real Estate Loans*

The bank's level of lending to borrowers of different income levels is considered reasonable. As shown in Table 3, the comparison between the percentages of residential real estate loans originated to low- and moderate-income borrowers compares similarly with the percentage of low- and moderate-income families. In addition, the distribution among all income levels is consistent.

As noted earlier, the bank also offers secondary market loans that are not reflected in the lending test. As part of the bank's secondary market products, the bank participates in the Wyoming Community Development Authority's Single Family Mortgage Purchase Program and the Federal Home Loan Bank's Home Start Program. Both programs assist low- and moderate-income borrowers purchase of homes through down payment assistance and interest rate subsidies.

### *Small Business Loans*

Table 3 also illustrates the bank's lending to small businesses for which the bank's performance also is considered reasonable. Although its level of lending to small businesses is less than the level suggested by DB data, several loans were advanced to businesses or individuals involved in land development. Because of high land prices, the gross revenue threshold of \$1MM is quickly exceeded even though these businesses have small operations. Further, when evaluating the size of loans originated, 80 percent of small business loans were in an amount less than \$250,000 with 73 percent of these loans made to businesses with gross revenues less than \$1MM. Smaller loan amounts usually indicate more lending to small businesses.

The bank also participates in government guaranteed loan programs offered through the Small Business Administration (SBA), which typically assist businesses that cannot qualify for conventional bank loans.

### **Geographic Distribution of Loans**

This test focuses on the bank's penetration of loans among geographies of different income levels, primarily in low- and moderate-income geographies, in the bank's assessment area.

As all of the geographies in the bank's assessment area are classified as upper-income, an analysis of loans by income level of geography was not meaningful and, therefore, the bank's performance in this category was not evaluated.

### **Record of Responding to Complaints**

The bank has not received any complaints about its performance in meeting assessment area credit needs. Therefore, the bank's performance in responding to complaints was not assessed.

## **COMMUNITY DEVELOPMENT TEST**

The intermediate small institution community development test focuses on the institution's ability to appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the institution's capacities, and take reasonable steps to apply its community development resources strategically to meet those needs.

JSB's community development activities demonstrate a satisfactory performance level considering the bank's capacity and the need and availability of such opportunities in the bank's assessment area.

*Community Development Loans*

During the evaluation period, the bank originated eight community development loans in the amount of \$4,749M, which is considered reasonable given the limited opportunities in the area. Two of these loans were originated to support affordable housing agencies and three of the loans were to fund construction of affordable senior housing. Two other loans were advanced for the construction of a new building and associated operating funds of a nonprofit literacy program that benefits mostly low- and moderate-income individuals. Finally, the last loan was made to a local community counseling center to build a new facility to provide services to those in financial need.

According to bank management and community contacts, the competition among local lenders is strong. Most of these loans are offered to the local lenders to bid upon, with final loan applications submitted to the lender offering the most competitive loan package.

*Community Development Investments*

Considering the bank's community development focus, the bank's level of investment activity is considered reasonable. The bank's community development investments were concentrated in donations to organizations whose primary purposes are to provide services to low- and moderate-income individuals and families. These services include subsidized child and health care, affordable housing, educational and job training, and disaster relief. Overall, JSB made 30 donations for a total of \$32,660 to 17 different organizations in the bank's assessment area.

The bank did not have any qualified investments during this examination. Once again, according to bank management and community contacts, opportunities to participate in qualified investments in the area are rare. The bank's executive officers maintain close relationships with the affordable housing organizations, other nonprofit organizations, and local government contacts to stay abreast of any possible investment activities.

*Community Development Services*

JSB's board members, officers, and staff have provided a high level of community development services designed to benefit low- and moderate-income individuals and families. Overall, bank staff provided 1,153 hours to 12 different qualified organizations by providing their financial and operating expertise. These qualifying organizations included two with a focus on affordable housing, one that provides small business development to start-up businesses, three that provide educational opportunities and training to those in financial need, one community foundation that provides assistance and funds to other qualifying charities in the region, and several other organizations that provide community service, counseling, substance abuse recovery, and medical services to those in need.

Although the bank's assessment area contains all upper-income tracts, the bank's retail services are readily accessible to individuals of all income levels. The bank has four branches, two of which are in Jackson and the other two in the towns of Wilson and Teton Village,

Wyoming. The bank also provides twelve cash-dispensing ATMs that are conveniently dispersed throughout the county. Furthermore, the bank offers telephone banking and extensive online banking features to both consumer and business clients.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants. Further, the bank has not engaged in other illegal practices inconsistent with helping to meet community credit needs.

## **GLOSSARY OF COMMON CRA TERMS**

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

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**Assessment Area** – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

**Census Tracts** – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

**Community Development** – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, designated distressed or underserved nonmetropolitan middle-income areas or designated disaster areas.

**Community Development Loan** – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Community Development Service** – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank’s retail banking services, benefits the banks assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area and has not been claimed by other affiliated institutions.

**Consumer Loans** – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

**Dun & Bradstreet Data** – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

**Geography** – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Income Level** – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

**Low-Income** – Less than 50 percent of the area median income

**Moderate-Income** – At least 50 percent and less than 80 percent of the area median income

**Middle-Income** – At least 80 percent and less than 120 percent of the area median income

**Upper-Income** – At least 120 percent or more of the area median income

**Metropolitan Statistical Area (MSA)** – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

**Qualified Investment** – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Small Business** – A business with gross annual revenues of \$1 million or less.

**Small Business Loan** – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

**Small Farm** – A farm with gross annual revenues of \$1 million or less.

**Small Farm Loan** – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”

