



PUBLIC DISCLOSURE

AUGUST 27, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**FIRST STATE BANK OF PINEDALE
RSSD# 20259**

**61 EAST PINE STREET
PINEDALE, WYOMING 82941**

**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: *This institution is rated **Satisfactory***

The bank has a satisfactory record of helping to meet the credit needs of its entire assessment area (AA), including low- or moderate-income (LMI) neighborhoods, in a manner consistent with its resources, operating philosophy, and credit needs of the community. Three of the five criteria used in evaluating small bank lending performance were relevant to the review and are listed as follows:

- Loan-to-Deposit (LTD) Ratio
- Lending Inside the AA
- Lending to Individuals of Different Income Levels and Businesses of Different Sizes

A Geographic Distribution analysis was not conducted since the AA consists of only one middle income tract. The bank's responsiveness to complaints under the Community Reinvestment Act (CRA) was not evaluated because the bank has not received any complaints regarding its CRA performance.

The bank's LTD ratio is reasonable considering the AA's credit needs and the bank's financial condition. In addition, a majority of loans was originated to borrowers within the bank's AA. Furthermore, the distribution of loans to borrowers of different income levels and businesses of different revenue sizes reflected a reasonable penetration.

SCOPE OF EXAMINATION

To assess the bank's performance under the CRA, the bank was evaluated using the interagency small bank examination procedures. The bank's LTD ratio was compared to the ratios of area banks, banks operating throughout rural Wyoming, and those of its national peer group and assessed based on the bank's overall financial condition, including any legal impediments. Conclusions about the two remaining performance criteria were based on data compiled from a statistically derived sample of loans for each major product line. The two loan types selected for review were business and residential real estate loans. The real estate loan sample included 25 loans, selected from a universe of 50 loan originations during the period from December 15, 2006 to June 15, 2007. The business loan sample included 27 loans, selected from a universe of 59 small business loan originations during the period from January 1, 2007 to June 30, 2007. The two products used in the sample account for 85.0 percent of the bank's loan portfolio.

DESCRIPTION OF INSTITUTION

First State Bank of Pinedale is a community bank operating one full-service office in rural west-central Wyoming. The office in Pinedale has a drive-up facility and an automated teller machine (ATM). The bank operates five other ATMs in the county.

On February 15, 2006, the bank was acquired by United Bancorporation of Wyoming, Inc. (UBW). UBW is a multibank holding company headquartered in Jackson, Wyoming. After acquisition, the bank was converted from a national bank into a state member bank. The June 30, 2006, Federal Deposit Insurance Corporation (FDIC) Market Share Report indicated the bank has approximately \$54,076M in deposits and a deposit market share of 41.2 percent, ranking it first among the four banks then operating in Sublette County.

Based on its financial condition, size, resources, and credit product offerings, the bank has the ability to meet the credit needs of its AA. As of the June 30, 2007 Consolidated Report of Condition and Income (Call Report), the bank's assets totaled \$91,761M, of which net loans comprised \$53,508M or 58.3 percent. As illustrated in Table 1, commercial and residential real estate loan products comprise the majority of the loan portfolio by dollar volume.

TABLE 1 BANK'S LOAN PORTFOLIO		
Loan Type	Amount (\$000)	Percent of Total
Commercial	34,041	62.0
Real Estate	12,601	22.9
Consumer	4,822	8.8
Agricultural	3,322	6.1
Other	85	0.2
Total Loans	54,871	100.0

No legal or financial factors exist that would significantly hinder the bank's ability to meet the credit needs of its AA. The bank's CRA performance was last assessed by the Office of the Comptroller of the Currency (OCC) on July 28, 2003, when a satisfactory rating was assigned.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Pinedale is the county seat and the largest community in Sublette County, with a population of about 1,500. The town is located about 78 miles south of Jackson, Wyoming, and is a prime tourist location. Eighty percent of the county is public land, most of which is under the U.S. Bureau of Land Management (BLM) administration.

Other communities in Sublette County include Big Piney, Bondurant, Boulder, Daniel, and Marbleton. The estimated county population in 2006 was 7,359. This was an increase of

about 25.0 percent from the 2000 Census. In terms of percentage growth, Sublette is the fastest growing county in the state.

The bank has designated one AA located in a nonmetropolitan area. This AA is Sublette County, which consists of one middle-income tract.

The 2007 AA median family income (MFI) is estimated to be \$57,618 which is 99.0 percent of the Wyoming nonmetropolitan MFI of \$58,200. The area has a lower percentage of families living below the poverty level at 7.4 percent compared to the statewide rural area at 8.3 percent. In addition, the area unemployment rate of 4.8 percent is below the statewide rural unemployment rate of 5.4 percent.

The major industries in Pinedale are energy, ranching, tourism, recreation, and government. In recent years, Pinedale has prospered significantly from the economic activity surrounding energy development in the area. As of September 1, 2006, there were about 55 drilling rigs operating in the county. The area has the second-largest natural gas reserve in the U.S.. In December 2006, the BLM proposed 4,400 more gas wells drilled at the rate of 232 a year. Challenges regarding environmental and civic infrastructure are an ongoing concern.

Two community contacts involved in economic development, real estate, and insurance were interviewed to gain perspective on local economic conditions and potential credit needs. The local economy was described as healthy, prosperous, and booming. However, the high wages offered through the area's energy-related industries have created a worker shortage in virtually all service industries, including retail food services. To address the labor shortage, several restaurants in the AA have curtailed their hours of operation. Sublette County was described as struggling to meet enormous infrastructure demands and manage the sudden influx of new workers. Affordable housing shortages were noted in Sublette County. These shortages are reportedly being addressed by new housing projects currently under development.

Table 2 summarizes the characteristics of the bank's overall AA based on 2000 Census data and 2006 Dun & Bradstreet (D&B) business information.

**TABLE 2
 BANK'S ASSESSMENT AREA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	309	18.2
Moderate-income	0	0.0	0	0.0	0	0.0	348	20.5
Middle-income	1	100.0	1,696	100.0	125	7.4	394	23.3
Upper-income	0	0.0	0	0.0	0	0.0	645	38.0
Total AA	1	100.0	1,696	100.0	125	7.4	1,696	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
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	3,552	1,743.0	100.0	49.1	628	17.7	1,181	33.2
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3,552	1,743.0	100.0	49.1	628	17.7	1,181	33.2
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
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	488	100.0	454	100.0	23	100.0	11	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	488	100.0	454	100.0	23	100.0	11	100.0
		Percentage of Total Businesses:		93.0		4.7		2.3

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Based on the bank's size, financial condition, local economic conditions, and credit demands of the area, the bank's average LTD ratio is considered reasonable. During the 16-quarter period since the previous CRA evaluation, the bank's net LTD ratio averaged 48.1 percent. Over the most recent eight quarters, the bank's net LTD ratio averaged 58.1 percent. Most significantly, in the most recent four quarters since acquisition by UBW, the LTD has improved to 70.3 percent. Over these periods, the bank's LTD ratio was compared to four banks within or near its AA, banks operating throughout Wyoming's nonmetropolitan areas, and its national peer group. The bank's national peer group includes all insured commercial banks having assets between \$50 million and \$100 million in a nonmetropolitan area with two or fewer banking offices. As noted in Table 3, the bank's LTD ratio is considered reasonable when compared to its competitors, rural Wyoming banks and national peers.

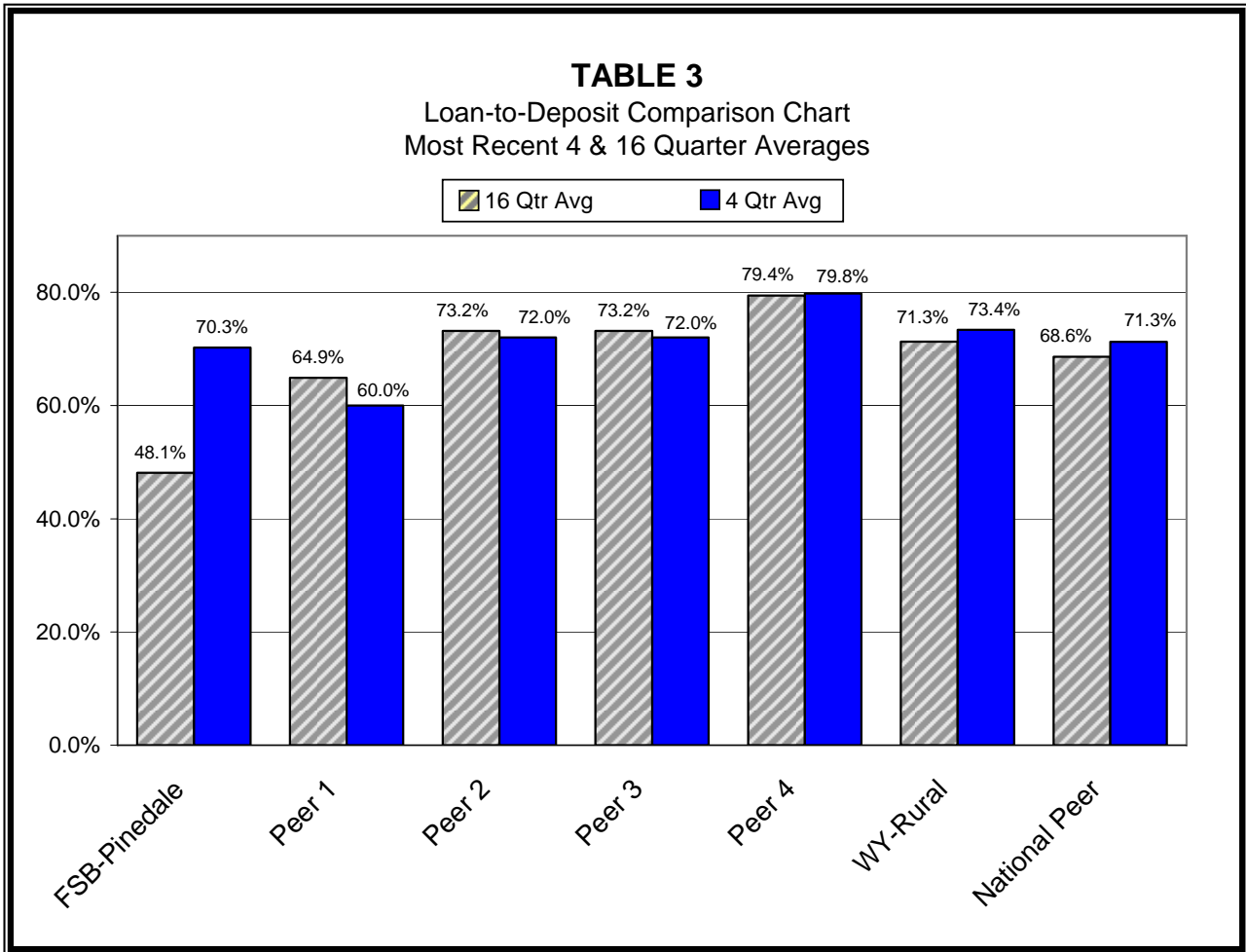


TABLE 4
SUMMARY OF LENDING PERFORMANCE

Lending within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
Residential Real Estate	20	80.0	2,511	86.9	5	20.0	379	13.1
Small Business	25	92.6	1,295	76.2	2	7.4	405	23.8
TOTAL	45	86.5	3,806	82.9	7	13.5	784	17.1
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	10.0	15.0	25.0	50.0	18.2	20.5	23.2	38.0
	% of Bank Loans				% of Small Businesses			
	84.0				93.0			

Lending in the Bank's AA

As noted in Table 4, a majority of the loans sampled for the evaluation by both dollar size and quantity of transactions, was originated in the bank's AA. This reflects satisfactory performance.

Distribution by Borrower Income and Revenue Size of Businesses

The bank's level of residential real estate lending to LMI borrowers is somewhat less than the level demographics would suggest. However, low-income borrowers, especially those families below the poverty level, typically have more difficulty qualifying for real estate loans. Taking this into account, the bank's lending to families of LMI levels is reasonable.

The distribution of loans to businesses based on revenue size is reasonable when compared to the demographics of the AA, as noted in Table 4. Eighty-four percent of the business loans were to businesses having less than \$1 million in gross annual revenues. Although this percentage is somewhat lower than the demographic data noted in Table 4, it is considered satisfactory.

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.)

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 bank's 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.”