



## **PUBLIC DISCLOSURE**

SEPTEMBER 24, 2007

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

**UNITED BANK OF IDAHO  
RSSD# 3446766**

**185 SOUTH MAIN STREET  
DRIGGS, IDAHO 83422**

**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- and 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 Businesses of Different Sizes

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 geographic distribution analysis also was not reviewed, as the bank's AA consists of only one tract, which is designated as middle-income.

The bank's LTD ratio is reasonable considering the AA's credit needs, the bank's financial condition and length of operations. In addition, a majority of loans were originated to borrowers within the bank's AA. Furthermore, the distribution of loans to 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 other area banks and national peer group banks. Conclusions about the two remaining performance criteria were based on data compiled from a statistically derived sample of loan files from the major product line, business loans. The business loan sample included 27 loans, selected from a universe of 57 small business loan originations during the period from September 8, 2006 to June 25, 2007.

## **DESCRIPTION OF INSTITUTION**

United Bank of Idaho is a small community bank operating one full-service office in rural southwest Idaho in the town of Driggs. This is a de novo bank that has been in operation since September 27, 2006. The location has a drive-up facility and an automated teller machine (ATM) and the bank operates one other ATM in the town.

The bank is fully owned by United Bancorporation of Wyoming, Inc. (UBW). UBW is a multi-bank holding company headquartered in Jackson, Wyoming. The June 30, 2006, Federal Deposit Insurance Corporation (FDIC) Market Share Report indicated three other financial institutions in the bank's AA of Teton County, Idaho. Total local deposits for these institutions were reported at \$114,174M. For comparison, as of June 30, 2007, United Bank of Idaho had reported deposits of \$10,690M for a 9.4 percent market share.

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 \$21,442M of which total loans comprised \$20,363M or 94.9 percent. As illustrated in Table 1, commercial loan products comprise the majority of the loan portfolio by dollar volume.

<b>TABLE 1 UNITED BANK OF IDAHO LOAN PORTFOLIO AS OF JUNE 30, 2007</b>		
<b>Loan Type</b>	<b>Amount (\$000)</b>	<b>Percent of Total</b>
Commercial	17,717	87.0
Real Estate	2,507	12.3
Consumer	53	.3
Agricultural	85	.4
Other	1	< 0.1
<b>Total Loans</b>	<b>20,363</b>	<b>100.0</b>

No legal or financial factors exist that would significantly hinder the bank's ability to meet the credit needs of its AA. This is the first CRA evaluation of this bank since it began its operations.

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

The bank has designated one AA, located in a nonmetropolitan area. This AA is comprised of Teton County, Idaho, which contains one middle-income tract. Driggs is the county seat of Teton County and other communities include Victor, Foxcreek, and Tetonia.

The population of the bank's AA, according to 2000 Census data, was 5,999 which is less than 1.3 percent of the 2000 statewide rural population of 486,909. The town of Driggs has a population of about 1,300 people and an incorporated area of nearly 350 acres. The town is located just west of the Idaho-Wyoming border and is about 30 miles northwest of Jackson, Wyoming, a prime tourist location.

The demographic makeup of the area has experienced significant changes since the 2000 census. Estimates published by the Idaho Department of Commerce indicate a county population of 7,838 for 2006, which represents a 30.7 percent increase over the 2000 figures. A more historical view shows an even more dramatic trend with a change of 74.4 percent increase from 1990 to 2000. In terms of percentage growth, Teton County is currently one of the fastest growing counties in the state. The same reports also show a decrease in the unemployment rate, from 3.3 percent in 2000 to 2.2 percent in 2006.

Based on 2000 Census data, the 2000 AA Median Family income (MFI) is reported to be \$45,691, which is 116.6 percent of the Idaho nonmetropolitan MFI of \$39,199. The area has a somewhat lower percentage of households living below the poverty level at 9.6 compared to the statewide rural area at 13.4 percent. In addition, the 2000 area unemployment rate of 3.3 percent is below the statewide rural unemployment rate of 6.6 percent.

Teton County offers a relatively affordable housing alternative for neighboring counties. Thus, the area has become a targeted residential location for persons working in nearby areas, such as Jackson Hole and Idaho Falls. Over 40 percent of county residents work outside the county.

The major employers in Teton County are federal and local government and the school district. Other significant private employers are Bergmeyer Manufacturing, Carson Concrete, and KLB Inc. The Grand Targhee Resort is also a major employer, although its primary location is in Wyoming.

Community contacts involved in economic development and local government were interviewed to gain perspective on local economic conditions and potential credit needs. The local economy was described as having a great deal of growth both in terms of population and in commercial and retail activities. The local city and county governments are experiencing infrastructure stress from the population growth. Fairly severe affordable housing shortages were noted in Teton County and in Driggs proper. These shortages and potential solutions are addressed by a Housing Needs Assessment produced for local government entities by a consulting firm. A Housing Authority is currently being formed to address the issues.

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	202	13.5
Moderate-income	0	0.0	0	0.0	0	0.0	190	12.6
Middle-income	1	100.0	1,500	100.0	146	9.7	388	25.9
Upper-income	0	0.0	0	0.0	0	0.0	720	48.0
Total AA	1	100.0	1,500	100.0	146	9.7	1,500	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	2,632	1,531	100.0	58.2	547	20.8	554	21.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,632	1,531	100.0	58.2	547	20.8	554	21.0
	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	481	100.0	444	100.0	19	100.0	18	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	481	100.0	444	100.0	19	100.0	18	100.0
Percentage of Total Businesses:				92.3		4.0		3.7

The 2000 Census reported 554 vacant units in Teton County, Idaho. Seventy two percent of the vacant units were seasonal or second homes.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

Based on the bank’s size, length of operations, financial condition, local economic conditions, and credit demands of the area, the bank’s average loan-to-deposit ratio is considered reasonable, as it relates to the CRA. During the 4-quarter period since inception, the bank’s net LTD ratio averaged 212.8 percent. This high value is a consequence of the bank’s participations in affiliate loans while deposits are still relatively low. As expected, the bank’s LTD ratio was significantly higher when compared to local area banks and national peer group banks. Given the de novo nature of the bank, comparisons may be of limited value.

<b>TABLE 4 SUMMARY OF LENDING PERFORMANCE</b>								
<b>Lending within the Assessment Area</b>								
	<b>Inside AA</b>				<b>Outside AA</b>			
	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Small Business	20	74.1	5,501	54.2	7	25.9	4,650	45.8
<b>Distribution by Revenue Size of Businesses</b>								
	<b>% of Bank Loans</b>				<b>% of Small Businesses</b>			
Small Business	75.0				92.3			

**Lending in the Bank’s AA**

As noted in Table 4, a majority of loans sampled for the evaluation, in number of loans and dollar size, were originated in the bank’s AA. It is noted that all seven loans from outside the AA are participation loans from affiliate banks, purchased at the bank’s inception to enhance earnings. Six of these loans were made in census tracts adjacent to the banks AA. Overall, this is considered satisfactory performance.

**Distribution by Revenue Size of Businesses**

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. Seventy-five percent of the business loans were to businesses having less than \$1 million in gross annual revenues. Although this percentage is lower than the demographic data noted in Table 4, it is considered adequate since many LLCs are not considered in the D&B business information.

**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.”