PUBLIC DISCLOSURE

MAY 3, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TRI-COUNTY BANK
RSSD# 395779

421 VANDEHEI AVENUE
CHEYENNE, WYOMING 82003-3260

Federal Reserve Bank of Kansas City
1 Memorial Drive
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***

Tri-County Bank (TCB) has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) geographies and individuals, in a manner consistent with its resources and operating philosophy.

For its size, financial capacity, and the competitive conditions within its AA, TCB's net loan-to-deposit (NLTD) ratio indicates a more than reasonable effort to extend credit in a competitive lending market consistent with safe and sound banking practices. A majority of the bank's lending activity occurred within its AA. The bank's geographic distribution of loans reflected a reasonable dispersion throughout its AA, while the bank's distribution of loans to borrowers of different income levels and businesses of different revenue sizes was more than reasonable, in consideration of the bank's competitive banking environment.

SCOPE OF EXAMINATION

TCB's Community Reinvestment Act (CRA) performance was reviewed using the Federal Financial Institutions Examination Council (FFIEC) Interagency Small Institution Examination Procedures. The rating was assessed under the following four core criteria used for evaluations of CRA lending performance of small banks.

- NLTD
- Lending Inside the AA
- Geographic Distribution of Loans
- Lending to Borrowers of Different Income Levels and Businesses of Different Revenue Sizes

TCB's responsiveness to complaints under the CRA, the fifth criterion used to assess small bank performance, was not evaluated because the bank has not received any complaints regarding its CRA performance.

Conclusions about the bank's performance were based on a universe of all Home Mortgage Disclosure Act (HMDA) reportable loans and a random sample of 33 small business loans selected from a universe of 51 loans originated between January 1, 2008 and December 31, 2009. The major product lines were determined through discussions with bank management, a review of the Report of Condition and Income (Call Report), and a review of all outstanding loan originations since the bank's last CRA examination on March 30, 2005.

The HMDA Loan Application Register (LAR) includes home purchase, home improvement, home mortgage refinance, and multifamily residential real estate loans. As the volume of lending was insufficient in some product types to provide a meaningful analysis, all HMDA loans products were grouped together into a common category of "HMDA-related" loans for discussion within this evaluation.

Comparisons were performed of the bank's lending performance to demographic data for the bank's AAs and to the aggregate lending performance of all financial institutions reporting the origination of home mortgage loans and small loans to businesses within the bank's AAs.

Loans originated inside the AAs were analyzed with respect to geographic and borrower distribution. To reach a conclusion about the bank's overall performance regarding geographic and borrower characteristics in the AA, examiners gave greater weight to certain loan products.

Interviews were conducted during the examination with members of the communities within the bank's AA to ascertain the credit needs of the communities, local economic conditions, and the availability of community development opportunities. Community contacts included representatives from an economic development entity and from a local nonprofit affordable housing program.

DESCRIPTION OF INSTITUTION

TCB is headquartered in Cheyenne, Wyoming and is owned by Platte Valley Financial Service Companies, Inc., Scottsbluff, Nebraska (PVFSC), a financial holding company. PVFSC also wholly-owns two other banks, Platte Valley Bank, Torrington, Wyoming and Platte Valley Bank, Scottsbluff, Nebraska. All three banks converted to state membership effective March 31, 2008 and were previously supervised by the Office of the Comptroller of the Currency (OCC). In addition to its main office, the bank opened an additional branch in Cheyenne on October 4, 2007. Both locations have a full-service automated teller machine on premises and offer drive-thru services.

According to the December 31, 2009 Call Report, TCB has total assets to $52.7 million with a total loan volume of $44.4 million. Since the last evaluation, respectively, bank assets have grown by 17.7 percent and loans have grown by 17.0 percent annualized. Total deposits at year-end were $41.5 million and according to the June 2009 Federal Deposit Insurance Corporation (FDIC) Market Share Report has a market share of 3.1 percent, ranking 10th out of 19 other depository institutions in the Cheyenne Metropolitan Statistical Area (MSA). TCB is a full-service bank offering a wide range of credit and deposit products including real estate mortgages, consumer, and commercial loans. Table 1 illustrates the composition of the bank's loan portfolio as of December 31, 2009.

TABLE 1 TRI-COUNTY BANK'S LOAN PORTFOLIO		
Loan Type	**Amount ($000)**	**Percent of Total**
Commercial	19,906	49.28
Real Estate	13,562	33.58
Consumer	636	1.57
Agricultural	6,285	15.56
Other	2	0.01
Total Gross Loans	40,391	100.00

Based on the bank's asset size, product offerings, and financial condition, it has the ability to meet the credit needs of its AAs. Although the bank is subject to strong competition from other financial institutions and credit unions within its AA, there are no financial or legal impediments that would negatively impact the institution's ability to meet the credit needs of its AAs. TCB received an outstanding rating at the previous CRA evaluation on March 30, 2005, performed by the OCC.

DESCRIPTION OF THE BANK'S CHEYENNE ASSESSMENT AREA[1]

TCB has delineated the Cheyenne MSA that includes all of Laramie County, Wyoming as its AA. The AA is comprised of 18 census tracts of which six are moderate-income, nine are middle-income, and three are upper-income tracts. The area is located in the southeastern portion of Wyoming bordering Nebraska and Colorado, approximately 75 miles west of Scottsbluff, Nebraska and 90 miles to the north of Denver, Colorado. Laramie County is the most populous of the state's 23 counties with a 2008 population of 87,452 which includes the city of Cheyenne and the towns of Albin, Burns, and Pine Bluffs, Wyoming.

The area's largest industries include government, retail trade, professional and health care services, construction, and transportation and warehousing. In addition, there is a considerable military presence in the area with the location of the Warren Air Force Base, which is also the area's largest employer. Other large employers excluding state, federal, and local governments are the Cheyenne Regional Medical Center, Wyoming National Guard, Union Pacific Railroad, Sierra Trading Post, and Lowe's Companies.

Overall, the Cheyenne economy is stagnating after shrinking rapidly at the beginning of 2009, but has fared well relative to other metropolitan areas. The continuous driver for the local economy is the concentration of military and government jobs that support employment

[1] Sources of economic and demographic data include the Commerce Department's Bureau of Economic Analysis, the U.S. Census Bureau, FDIC Regional Economic (RECON) data, Moody's Economy.com, Wyoming Center for Business, and Wyoming Economic Data Trends.

stability. However, there continues to be a decline in private industry with a shortage of skilled labor that inhibits job creation.

As of December 2009, the MSA's unemployment rate was at 6.1 percent compared to 3.9 percent in 2008 and larger than the state unemployment rate of 5.8 percent. After several consecutive years of mild growth, employment growth as of the third quarter of 2009 was down 3.4 percent for the year. Per Capita Income for the area is $43,351 compared to $46,741 for the state and $39,480 nationally.

The Cheyenne housing market is recovering from the recent stagnation in prices over the last few years. Total permits issued in 2009 are up 107.6 percent from year-end 2008, but were mostly for multifamily housing with single-family permits only increasing 5.7 percent. The median price of a home in the Cheyenne MSA is $163,900, driven higher by homes in rural areas with a median price of $299,950. The median age of housing stock is 30 years with 21.8 percent of units built prior to 1950. Older homes tended to be located in the urban area of the MSA and, specifically, in moderate-income tracts. In addition, 49.7 percent of units in the moderate-income tracts were owner-occupied. Also, the moderate-income tracts contain a higher percentage of mobile homes at 23.5 percent. These statistics suggest a limited demand for home-ownership loans in moderate-income geographies.

The AA's affordability ratio was at 38.0 in 2000, which was slightly lower than 41.0 for the state of Wyoming, but still indicates that home prices are affordable in relation to the median price of homes. In 2009, the median family income according to the Department of Housing and Urban Development was $63,700, resulting in a similar affordability ratio. Average rental rates as of 2008 were $856 for a home and $587 for an apartment. In 2000, the rental cost exceeding 30 percent of income was 30.4 percent, only slightly higher than the statewide percentage of 28.5 percent.

Members of the community were contacted in order to gain a perspective of the area's economic condition and possible credit needs. Both contacts indicated that the Cheyenne economy is stronger than the overall national economy, but has felt the effects of the recent recession over the last year. Unemployment, while stabilizing, has significantly increased from previous years and employers have had to downsize staff with some loss of higher paying positions. In addition, local, state, and federal government, which encompasses approximately 30 percent of the area labor force, has initiated hiring freezes and salary reductions due to budgetary constraints. One contact noted that while the area has had some loss of major employers there has been recent success in attracting high tech and scientific industries into the area that will create better job diversity. Both contacts stated that affordable housing was the primary need in the community, especially for multifamily units as rental rates are very high. In addition, one contact said that the under-educated workforce, drug addiction, and enhanced planning for social programs are also community needs that should be addressed. Each concluded that all area banks were very involved in community projects and services.

Table 2, based on 2000 Census data, 2004 MSA designations, and 2008 Dun & Bradstreet (D&B) data, shows the general income, housing, and business characteristics of area tracts by tract income level.

TABLE 2 Cheyenne AA Demographics								
Income Categories	Tract Distibution		Families By Tract Income		Families < Poverty Level as a % of Families by Tract		Families By Family Income	
	#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	3,732	17.1
Moderate-Income	6	33.3	5,662	25.9	618	10.9	4,354	19.9
Middle-Income	9	50.0	10,958	50.2	619	5.6	5,355	24.5
Upper-Income	3	16.7	5,205	23.8	187	3.6	8,384	38.4
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	18	100.0	21,825	100.0	1,424	6.5	21,825	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	10,378	5,156	23.4	49.7	4,246	40.9	976	9.4
Middle-Income	16,651	11,327	51.4	68.0	4,397	26.4	927	5.6
Upper-Income	7,184	5,567	25.2	77.5	1,234	17.2	383	5.3
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	34,213	22,050	100.0	64.4	9,877	28.9	2,286	6.7
	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	1,677	42.6	1,451	41.0	151	56.6	75	54.0
Middle-Income	1,562	39.6	1,419	40.1	94	35.2	49	35.3
Upper-Income	702	17.8	665	18.8	22	8.2	15	10.8
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3,941	100.0	3,535	100.0	267	100.0	139	100.0
	Percent of Total Businesses:			89.7		6.8		3.5

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall conclusions regarding the lending 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, aggregate data, and area demographic information.

Net Loan-To-Deposit Ratio:

This performance criterion utilizes the bank's average NLTD ratio to evaluate the reasonableness of lending in light of performance context information regarding the bank's capacity to lend, availability of lending opportunities, and demographic/economic factors present in the AAs.

The bank's average NLTD ratio was compared to four other similarly situated lenders within and around the bank's delineated AA and to the bank's national peer group. The average NLTD ratio for both the subject and peer banks was calculated by adding the quarterly NLTD ratios and then dividing by the 20 quarters since the bank's last CRA examination. Over this period, the bank's average NLTD ratio of 109.4 percent compared favorably to the 77.3 percent average for the local peer group and to the 70.7 percent average of the bank's national peer group. As a result, the bank's performance under this test is considered more than reasonable.

Assessment Area Concentration:

This test evaluates the concentration of loans originated by the bank within its AAs. As illustrated in Table 2, TCB originates a majority of its residential real estate and small business loans, or 84.2 percent, within its AA. The loans originated within the bank's AA are considered for the remaining loan distribution tests. Furthermore, the analysis and future tables will focus on the number of originations as opposed to dollar volume, as this better represents the number of affected applicants.

Table 3
Lending Inside and Outside the Cheyenne AA

	Inside				Outside			
	#	%	$('000s)	%	#	%	$('000s)	%
HMDA home purchase	77	82.8	9,514	82.0	16	17.2	2,091	18.0
HMDA refinancings	55	83.3	8,538	79.3	11	16.7	2,230	20.7
HMDA home improvement	2	100.0	75	100.0	0	0.0	0	0.0
HMDA multifamily	0	0.0	0	0.0	0	0.0	0	0.0
Total HMDA-related	**124**	**82.1**	**18,127**	**80.8**	**27**	**17.9**	**4,321**	**19.2**
Total Small Business	**31**	**93.9**	**2,232**	**81.8**	**2**	**6.1**	**870**	**18.2**
TOTAL LOANS	**155**	**84.2**	**22,048**	**80.9**	**29**	**15.8**	**5,191**	**19.1**

Geographic Distribution:

This core performance criterion evaluates the bank's distribution of loans among geographies of various income levels, with emphasis placed on lending in the LMI geographies. Table 4, shown on the next page, illustrates the bank's level of lending by geographic distribution. Performance context issues, including lending opportunities reflected in the number and percentage of owner-occupied units, businesses, and other lender's aggregate performance were considered. Greater weight was placed on the bank's HMDA-related loans as the product is more predominant than small business loans by number of loan originations. Overall, the geographic distribution of HMDA-related and small business loans demonstrates a reasonable penetration in the AA.

Table 4 Loan Analysis - Cheyenne AA			
Geographic Distribution			
	HMDA-Related Loans		
Tract Income Levels	**% Owner Occupied Units**	**% Bank Loans**	**% Peer Loans**
Low	0.0	0.0	0.0
Moderate	23.4	17.7	16.3
Middle	51.4	45.2	55.6
Upper	25.2	37.1	28.1
Unknown	0.0	0.0	0.0
Total	100.0	100.0	100.0
Total #	**124**		
	Small Loans to Small Businesses		
Tract Income Levels	**% Small Businesses**	**% Bank Loans**	**% Peer Loans**
Low	0.0	0.0	0.0
Moderate	42.6	16.1	35.7
Middle	39.6	71.0	39.8
Upper	17.8	12.9	20.1
Tract Unknown	0.0	0.0	4.4
Total	100.0	100.0	100.0
Total #	**31**		
Borrower Distribution			
Borrower Income Levels	**HMDA-Related Loans**		
	% of Families	**% Bank Loans**	**% Peer Loans**
Low	17.1	6.5	5.5
Moderate	19.9	30.6	20.1
Middle	24.5	29.8	26.6
Upper	38.4	30.6	32.7
Unknown	0.0	2.4	15.1
Total	100.0	100.0	100.0
	Small Loans to Businesses		
Revenue / Loan Size	**% Small Businesses**	**% Bank Loans**	**% Peer Loans**
Rev. $1million or less	89.7	77.4	37.8
Rev. Over $1million	6.8	22.6	
Rev. Not Known	3.5	0.0	
Total	100.0	100.0	
$100k or less		35.5	95.8
>$100k -250k		58.1	2.3
$250 - $1 Million		6.5	1.8

HMDA-Related Loans

The geographic distribution of HMDA-related loans reflects a reasonable penetration throughout the AA. As shown in Table 4, the bank originated 17.7 percent of loans in moderate-income tracts, which compares slightly less than the 23.4 percent of owner-occupied units, yet slightly above the 16.3 percent of loans made by aggregate lenders in these same geographies. As outlined earlier under the description of the AA, moderate-income tracts have an older housing stock and a higher number of mobile home loans which are owner-occupied that implies a lower demand in moderate-income tracts.

Small Business Loans

The geographic distribution of small business loans shows a less than reasonable distribution compared to small business lending in the different income-level tracts. Table 4 reveals that 16.1 percent of the bank's small business loans were made in moderate-income tracts which compares much less than the percentage of small businesses and less than the lending by other aggregate lenders in the area. While the Cheyenne AA has a high level of competition from banks and credit unions and TCB locations are a few miles to the north of these geographies, the bank's performance of lending in these tracts is expected to be higher.

Distribution by Borrower Income and Revenue Sizes of the Businesses:

This core performance criterion evaluates the bank's distribution of lending to borrowers of different income levels, particularly LMI individuals, and focuses on the bank's level of lending to businesses of different sizes, primarily those with gross annual revenues of $1 million or less. Table 4, on the previous page, also shows the bank's level of lending by borrower distribution which considers and compares performance context issues, including lending opportunities reflected in the number and percentage of LMI families, sizes of businesses, and other lender's aggregate performance. As previously mentioned, greater weight was placed on the bank's HMDA-related loans. The overall distribution of loans across borrower income levels and by revenue sizes of the businesses was more than reasonable.

HMDA-Related Loans

The distribution of loans to borrowers of different income levels exhibits an excellent penetration. Table 4 illustrates that the bank's penetration to moderate-income borrowers of 30.6 percent exceeds the 19.9 percent of moderate-income families and the 20.1 percent of lending by peers. However, the bank's lending to low-income borrowers is slightly above peer, but much less than 17.1 percentage of low-income families. However, the availability and demand for credit by these borrowers, especially those of low-income means, is constrained. Over the last two years the market of secondary investors has decreased and credit standards have been tightened while, locally, the increasing unemployment rate along with decreasing wages have made it more difficult for LMI borrowers to qualify for the mortgage loans offered by TCB.

Small Business Loans

Table 4 also reveals that TCB originated 77.4 percent of its small business loans to businesses with less than $1,000,000 in gross annual revenues. Although this figure was below the AA demographic comparable of 89.7 percent of AA small businesses, the bank's small business originations is double the percentage of loans to small businesses of 37.8 percent by peer institutions. The aggregate lending data provides a better comparison, because not all businesses in the AA have a need for traditional bank loans. Moreover, the aggregate data reflects the market demand for credit. The loan analysis further showed that a majority of the bank's total small business loans, or 93.5 percent, were originated in amounts of $250,000 or less, which are amounts typically needed by smaller businesses. Therefore, the bank's distribution of small business loans to businesses of different sizes is more than reasonable.

Record of Responding to Complaints:

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No apparent signs of discrimination were identified, and the bank was not engaged in any illegal credit 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.)

Aggregate lending – The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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.

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.

Family – Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

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

Home Mortgage Disclosure Act ("HMDA") – The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans – Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household – Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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 family income (**MFI**). In nonMSA areas, the level is based on the statewide, nonMSA median family income.

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

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

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

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

LMI – Collectively, low- and moderate-income families or tracts.

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.

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

Small Loan(s) to Business(es) – A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”). These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.