

**PUBLIC DISCLOSURE**

July 14, 1997

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**FIRST SECURITY BANK**

10-56-0355

540757

204 WEST MAIN STREET  
NEWCASTLE, WYOMING 82701

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

**NOTE:** 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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## **GENERAL INFORMATION**

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Security Bank, Newcastle, Wyoming, prepared by the Federal Reserve Bank of Kansas City - Denver Branch, the institution's supervisory agency, as of July 14, 1997. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

## **INSTITUTION**

**INSTITUTION'S CRA RATING:** *The institution is rated **Satisfactory**.*

Based on a review of its lending performance, qualified investments, and services within its assessment area, First Security Bank demonstrates an overall Satisfactory performance under the CRA. Bank management is actively involved in meeting the credit needs of its assessment area, including low- and moderate-income individuals, as well as small businesses and small farms, in a manner consistent with its resources and capabilities. Therefore, the bank's rating for the Lending Test is rated High Satisfactory. The bank's investment test was rated Low Satisfactory and its Service Test was rated High Satisfactory at this examination.

The bank's performance under the CRA was last evaluated at the October 24, 1995 examination, at which time it was considered Outstanding.

The following table indicates the performance level of First Security Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	FIRST SECURITY BANK		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

\*Note: The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

## DESCRIPTION OF INSTITUTION

First Security Bank, Newcastle, Wyoming, is one of 19 bank subsidiaries of Pinnacle Bancorp, Inc., a multibank holding company with assets of more than \$1 billion. First Security Bank reported \$27 million in assets in its March 31, 1997 Report of Condition and Income (Call Report).

First Security Bank is located in Newcastle, Wyoming. The bank also owns a full-service branch located in Moorcroft, Wyoming. Additionally, First Security Bank owns and operates two automated teller machines (ATM), one located in Newcastle and one located in Moorcroft. Newcastle and Moorcroft are located in the northeastern portion of Wyoming.

While First Security Bank operates as a full-service financial institution, directors and management specifically target the consumer market. Management stated that the bank's direct competitor is a leader in area agricultural lending; therefore, management has targeted other credit needs of the assessment area. There are no financial or legal

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impediments that impact the bank's ability to lend.

The following table reflects the distribution of the bank's loan portfolio as of the March 31, 1997 Call Report.

<b>DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO AS OF MARCH 31, 1997</b>		
<b>Type of Loan</b>	<b>Amount (In Thousands)</b>	<b>Percentage of Total Loans</b>
Loans Secured by Real Estate: (38.6%)		
Loans secured by 1- to 4-family residential properties	3,526	38.6
Consumer Loans (23.8%)	2,173	23.8
Commercial Loans (23.4%)		
Commercial purpose loans	825	9.0
Secured by nonfarm, nonresidential real estate	1,089	11.9
Secured by multifamily (5 or more) residential properties	231	2.5
Agricultural Loans (14.2%)		
Agricultural purpose	1,222	13.3
Secured by farmland	79	.9
<b>Total</b>	<b>9,145</b>	<b>100.0</b>

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

First Security Bank has designated all of Weston County, Wyoming, and one Block Numbering Area (BNA) in Crook County, Wyoming, as its assessment area. The assessment area, which is the geographic area bank management has designated as its primary service area, is designated as a middle-income area. The bank's assessment area appears reasonable and does not exclude low- or moderate-income areas. Please refer to Attachment A for a map of the assessment area.

Based on 1990 census bureau information, the population in the assessment area is 8,487. The table on the following page shows the distribution of the families in the bank's assessment area by income category. Low-income is defined as less than 50 percent, moderate-income is at least 50 percent and less than 80 percent, middle-income is at least 80 percent and less than 120 percent, and upper-income is 120 percent or more of the median family income of the nonmetropolitan areas in the state of Wyoming. According to census bureau information updated for 1997, the median family income for the

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nonmetropolitan areas in the state of Wyoming is \$41,900.

DISTRIBUTION OF FAMILIES IN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL					
	Low	Moderate	Middle	Upper	Total
Number of Families	410	455	759	745	2,369
Percentage of Total Families	17%	19%	32%	32%	100%

Three members of the community, including one government official, one member of a local trade association and one private individual, were contacted during the examination. According to these community contacts, the local economy is stable. The stable economy is based upon the local oil, timber and coal mining industries. According to 1990 census bureau information, the median housing value for the bank's assessment area was \$46,711. Community contacts estimated the current median housing value in the assessment area, based upon recent sales figures, to be \$70,000, a 50 percent increase since 1990.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

The conclusions regarding the Lending, Investment, and Service Tests are summarized at the beginning of each section. Supporting information is then divided into performance characteristics. A detailed description of the performance characteristics can be found in Appendix A of Regulation BB.

#### **LENDING TEST - High Satisfactory**

Seven performance criteria were evaluated in determining the bank's performance under the Lending Test. The Lending Test evaluation resulted in an overall High Satisfactory rating. The findings with regard to each performance criteria are set forth below.

##### *Assessment Area Concentration - Outstanding*

This performance criteria evaluates the concentration of loans originated by the bank in its assessment area. The bank has exceeded Satisfactory standards for this performance criteria. Since January 1, 1996, management collected data on 72 small business loans and 39 small farm loans in response to CRA reporting requirements. In addition, at management's option, bank personnel have also collected data on the bank's consumer and home equity loans. At management's request, the bank's 554 consumer loans and 35 home equity loans were included in the analysis.



As demonstrated in the following table, the bank's lending activity shows that a substantial majority of the bank's loans are in its assessment area. Twenty-one of the 36 loans that are located outside the bank's assessment area are located in regions that are near the assessment area's border.

DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	\$ Amount of Loans	%	Number of Loans	%	\$ Amount of Loans	%
Home Equity Loans	35	100	1,152,457	100	0	0	0	0
Consumer Loans	524	95	2,856,862	96	30	5	109,722	4
Small Business Loans	69	96	2,454,722	99	3	4	21,577	1
Small Farm Loans	36	92	1,809,361	93	3	8	138,010	7
<b>Overall Totals</b>	664	95%	\$8,273,402	97%	36	5%	\$269,309	3%

### *Borrowers' Profile - Outstanding*

This performance criteria evaluates the bank's loan originations among borrowers of different income levels, particularly low- and moderate-income individuals and businesses and farms of different sizes. The bank has exceeded Satisfactory standards for this performance criteria. Overall, the distribution of loans showed an excellent penetration to individuals of different income levels and to businesses and farms of different sizes.

### Consumer Loans

The bank's origination of consumer loans to borrowers of different income levels is considered excellent. Overall, 69 percent of the number and 56 percent of the dollar volume of the consumer loans in the assessment area were to low- and moderate-income borrowers. These results are substantially higher than the number of low- and moderate-income families in the bank's assessment area, which is estimated to be 36 percent.

### Home Equity Loans

The bank's origination of home equity loans to low- and moderate-income individuals is considered excellent. Overall, 45 percent of the number and 44 percent of the dollar volume of the home equity loans in the assessment area were to low- and moderate-

income borrowers. These results are also higher than the number of low- and moderate-income families in the bank's assessment area, which is estimated to be 36 percent. The table on the following page reflects the distribution of loans by income level of the borrower.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREAS BY INCOME LEVEL OF BORROWER								
Loan Type	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
<b>Consumer Loans</b>	206	613,837	156	1,005,823	94	626,182	68	611,020
<i>Percent of Total</i>	39	22	30	35	18	22	13	21
<b>Home Equity Loans*</b>	3	74,179	12	405,589	10	386,050	8	216,339
<i>Percent of Total</i>	9	7	37	37	30	36	24	20
Number of Families by income level in the bank's assessment area	410		455		759		745	
Percentage	17%		19%		32%		32%	

\*Two of the 35 home equity loans were missing income figures, therefore the analysis was conducted on the remaining 33 loans.

### Small Business and Small Farm Loans

Overall, 93 percent of the small business and small farm loans (loans with an original amount of \$1 million or less) in the assessment area were to businesses and farms with gross annual revenues less than \$1 million. This appears to accurately reflect the 1993 business pattern estimates for the assessment area provided by the U.S. Census Bureau. That data showed that 367 establishments, or 97 percent of the establishments within the assessment area, had from 1 to 49 employees. The bulk of businesses with such few employees are likely to be small businesses. As the table on the following page shows, the analysis of the small business and small farm loans revealed an excellent dispersion to businesses and farms of varying sizes, based upon loan amount.

DISTRIBUTION OF FARM AND BUSINESS LOANS SAMPLED WITHIN THE ASSESSMENT AREA		
Loan Amount	Business Loans	Farm Loans
Less than \$100,000	95%	86%
Greater than or equal to \$100,000 but less than \$250,000	1%	3%
Greater than or equal to \$250,000 but less than \$500,000	4%	11%

DISTRIBUTION OF FARM AND BUSINESS LOANS SAMPLED WITHIN THE ASSESSMENT AREA		
Total	100%	100%

*Responsiveness to Credit Needs of Highly Economically Disadvantaged Geographies and Low-Income Persons, Small Business and Small Farms - High Satisfactory*

First Security Bank exhibits a good record of serving the credit needs of the most economically disadvantaged customers in its assessment area including low-income individuals, very small businesses, and very small farms, consistent with safe and sound banking practices. Therefore, First Security Bank has met the standards for a High Satisfactory rating for this performance criteria.

Consistent with safe and sound banking practices, the bank extends loans to low-income individuals, very small businesses, and very small farms. First Security Bank offers consumer and home equity loans with flexible terms and for small dollar amounts. The bank's consumer portfolio showed that 39 percent of the loans were to low-income individuals. This compares favorably to the number of low-income families in the bank's assessment area, which is estimated to be 17 percent. Additionally, 91 percent of the concentration of loans by loan amount, were to businesses and farms with revenues of less than \$100,000. Therefore, the bank has exhibited a good record of serving the credit needs of very small businesses and very small farms.

*Community Development Lending Activities - High Satisfactory*

This performance criteria evaluates the bank's level of community development loans. The institution has made a relatively high level of community development loans and has therefore met the performance standards for a High Satisfactory rating for this performance criteria.

Regulation BB defines a community development loan as a loan that has as its primary purpose community development and has not been reported by the bank for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan (unless it is a multifamily dwelling loan) and benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area. The regulation defines community development as (1) affordable housing (including multifamily rental housing) for low- and moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility requirements or have gross annual revenues of \$1 million or less; or (4) activities that

revitalize or stabilize low- or moderate-income geographies.

First Security Bank has made a relatively high level of community development loans. However, bank personnel mistakenly reported the bank's community development loans for consideration in the assessment area evaluation. Notwithstanding this fact, the following community development loans are considered noteworthy.

- < A multifamily housing loan to purchase an apartment complex which houses low- and moderate-income individuals. The loan was originated in February 1996 for \$17,500.
- < A multifamily housing loan to improve an apartment complex which houses low- and moderate-income individuals. The loan was originated in August 1996 for \$6,000.
- < Three loans for new business start-up in the bank's assessment area. The new businesses enhanced area economic employment opportunities for low- and moderate-income individuals. The loans were originated in 1996 and 1997 for a total of \$95,000.

#### *Product Innovation - High Satisfactory*

This performance criteria evaluates the financial institution's use of innovative and/or flexible lending practices in order to serve assessment area credit needs. Although the institution does not use innovative lending practices, the bank uses flexible lending criteria in order to serve assessment area credit needs. Therefore, the bank has met the standards for a High Satisfactory rating for this performance criteria.

As previously discussed, consistent with safe and sound banking practices, the bank offers small dollar loans and lines of credit to low-income individuals, very small businesses, and very small farms. The bank also offers consumer loans with flexible underwriting criteria, extended loan terms, and reduced fees. The analysis revealed consumer installment loans in amounts as low as \$200 and commercial and farm loans in amounts as low as \$1,000.

#### *Lending Activity - High Satisfactory*

This performance criteria evaluates the bank's lending levels compared to other similarly situated financial institutions. The bank's loan-to-deposit ratio reflects good responsiveness to assessment area credit needs, given the bank's size, financial condition, location, and area competition. Therefore, First Security Bank has met the standards for a High Satisfactory rating for this performance criteria.

The loan-to-deposit ratio is a quick barometer for gauging whether or not the bank is reinvesting deposits it receives from customers back into the community in the form of loans. The bank's average net loan-to-deposit ratio for the previous four quarters was 44.60 percent. Although there were no similarly situated financial institutions in the bank's assessment area, the bank's ratio is higher than that of its immediate competition, which equaled 36.91 percent.

#### *Geographic Distribution of Loans - Not Rated*

This performance criteria, which focuses on the bank's penetration among low-, moderate-, middle-, and upper-income BNAs was not rated given that the bank's assessment area consists only of middle-income BNAs. As such, an analysis of this criteria was not deemed to be meaningful.

#### *Compliance With Antidiscrimination Laws And Regulations*

There were no substantive violations of antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Overall, adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

### **INVESTMENT TEST - Low Satisfactory**

To determine the bank's performance under the Investment Test, three characteristics were evaluated. Overall, the Investment Test evaluation resulted in a Low Satisfactory rating. The findings with respect to the three characteristics are set forth below.

#### *Investment and Grant Activity - Low Satisfactory*

This performance criteria focuses on the bank's level of qualified community development investments. The bank has an adequate level of qualified community development investments, meeting the performance standards for a Low Satisfactory rating for this performance criteria.

Regulation BB defines a qualified investment as a lawful investment, deposit, membership or grant that has as its primary purpose community development. Community development encompasses affordable housing for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote

economic development; or activities that revitalize or stabilize low- and moderate-income geographies.

*Although the bank has an extensive investment portfolio, only three grants met the definition of a qualified community development investment. The bank's qualified grant activity consisted of \$2,500 to remodel the local senior citizen community center; \$1,440 to local senior citizen community centers to provide meals to area senior citizens; and a \$600 donation for a business start-up which hires disabled low-income individuals.*

### ***Responsiveness to Credit and Community Development Needs - High Satisfactory***

This performance criteria evaluates the bank's responsiveness to credit and community economic development needs. The institution exhibits good responsiveness to credit and community economic development needs, meeting the standards for a High Satisfactory rating for this performance criteria.

Although the bank only has a minimal amount of qualified grants, it was determined through community contacts that the bank actively participates in any area economic issues that become available. The community contacts also stated that the bank has always been responsive to area concerns with contributions to, or involvement in, community issues.

### ***Community Development Initiatives - Low Satisfactory***

This performance criteria evaluates the level in which the institution uses innovative and/or complex investments to support community development initiatives. The institution occasionally uses innovative and/or complex investments to support community development initiatives, thus meeting the standards for a Low Satisfactory rating for this performance criteria.

As previously mentioned, the bank has a reputation for responding to local investment issues as they arise; however management and community contacts stated that there are currently no available innovative and/or complex investments available for the bank's participation.

### **SERVICE TEST - High Satisfactory**

The four characteristics evaluated under the Service Test include: Accessibility of Delivery Systems, Changes in Branch Locations, Reasonableness of Services, and Community Development Services. There have been no changes in branch locations since the October 1995 examination; therefore, only three of the characteristics were evaluated. Based on the findings outlined below, the bank's overall rating for the Service Test is

considered High Satisfactory.

*Accessibility of Delivery Systems - High Satisfactory*

This performance criteria evaluates the accessibility of the bank's delivery systems to the bank's assessment area. The bank's delivery systems are accessible to essentially all portions of the institution's assessment area. Therefore, the bank has met the standards for a High Satisfactory rating for this performance criteria.

The bank's main office is located in Newcastle, and its branch is located in Moorcroft, Wyoming. First Security Bank owns 24-hour ATMs, one located in each community, as well as drive-through facilities at each location. In addition, a 24-hour automated TeleBanking service has been implemented by bank management since the previous examination. Management has also implemented PC Banking since the previous examination. Bank customers are able to access the bank's computer via home computer to conduct banking transactions. In addition to these services, the bank offers free checking and free government check cashing which benefit low- and moderate-income individuals.

*Changes in Branch Locations - Not Rated*

Based on the fact that First Security Bank has not implemented any branch changes since the last examination, this performance criteria was not evaluated.



*Reasonableness of Business Hours and Services in Meeting  
Assessment Area Needs - High Satisfactory*

This performance criteria evaluates the reasonableness of the bank's business hours and services in meeting assessment area credit needs. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income individuals. The bank has met the standards for a High Satisfactory rating for this performance criteria.

Bank management and the board of directors recently approved extended lobby and drive-up hours. The bank's expanded lobby hours are from 8:30 a.m. to 4:00 p.m., Monday through Friday. The bank's drive-up hours are from 7:30 a.m. to 5:30 p.m., Monday through Friday. Additionally, the bank's lobby and drive-up hours are from 8:30 a.m. to 11:30 a.m. on Saturdays. The bank's TeleBanking, PC Banking, and ATMs are available 24 hours. Additionally, management stated that they regularly meet outside lobby hours by appointment for loan application interviews.

*Community Development Services - Low Satisfactory*

This performance criteria evaluates the bank's level of community development services. The institution provides an adequate level of community development services. First Security Bank has met the standards for a Low Satisfactory rating for this performance criteria.

Bank management provides financial expertise to the Newcastle Development Corporation. The president of First Security Bank serves as a director on the Newcastle Development Corporation's board. The main objective of the development corporation is to promote commercial and industrial development in Newcastle. The bank's president provides financial expertise in attracting new businesses to the area to provide new jobs by providing information on local business funding sources and programs that are available.

Bank management also provides financial expertise to the Newcastle City Council. The vice president of First Security Bank serves as a councilman and through this involvement was able to provide financial expertise in applying for block grant funding from the state of Wyoming. The funds were approved in the amount of \$350,000 and were used to purchase a building and land for a new recycling business. The new business regularly hires disabled, low- and moderate-income individuals.

Additionally, management stated that the bank regularly assists low- and moderate-income customers through general banking and business services provided free of charge.

APPENDIX A

SCOPE OF EXAMINATION

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>	January 1, 1996 through June 1, 1997		
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
First Security Bank		<ul style="list-style-type: none"> <li>- Home Equity Loans</li> <li>- Consumer Loans</li> <li>- Small Business Loans</li> <li>- Small Farm Loans</li> </ul>	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
Pinnacle Bancorp, Inc.	Bank Holding Company	None	
Archer, Inc.	Bank Holding Company	None	
Osceola Insurance, Inc.	Bank Holding Company	None	
Central Grain, Inc.	Bank Holding Company	None	
Dinsdale Brothers, Inc.	Bank Holding Company	None	
Guaranty Corporation	Bank Holding Company	None	
Pinnacle Bancorp, Iowa	Bank Holding Company	None	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Wyoming - Weston County and one BNA in Crook County	Full Scope Consumer Examination	None	

## Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

### **Outstanding record of meeting community credit needs.**

*An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*

### **Satisfactory record of meeting community credit needs.**

*An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*

### **Needs to improve record of meeting community credit needs.**

*An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*

### **Substantial noncompliance in meeting community credit needs.**

*An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*

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