

PUBLIC DISCLOSURE

May 5, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

STOCKGROWERS STATE BANK
10-56-0570
565853

700 BIG HORN AVENUE
WORLAND, WYOMING 82401

Federal Reserve Bank of Kansas City
925 Grand Avenue
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.

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 CRA performance of Stockgrowers State Bank, Worland, Wyoming, prepared by the Federal Reserve Bank of Kansas City, Denver Branch, the institution's supervisory agency, as of May 5, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S CRA RATING: Satisfactory

The bank's performance with the CRA is satisfactory. The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of the following five small institution assessment criteria:

1. Loan-to-Deposit Ratio,
2. Geographic Distribution of Loans,
3. Lending in Assessment Area,
4. Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes, and
5. Response to Complaints.

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The geographic distribution of loans across the assessment area by different income levels is reasonable. Additionally, a substantial majority of loans were found to be in the bank's assessment area. Also, the distribution of loans reflects a reasonable dispersion among individuals of different income levels and

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excellent penetration of businesses and farms of different sizes.

DESCRIPTION OF INSTITUTION

Stockgrowers State Bank is located in the city of Worland, Wyoming, at 700 Big Horn Avenue. The bank operates out of one main location, which is open Monday through Friday. The bank also provides a detached drive-through facility with a walk-up teller window. This facility is open Monday through Saturday. Also, the bank owns one automated teller machine (ATMs), located at the main location. Stockgrowers State Bank is a subsidiary of Community First Bancorp., Inc., a bank holding company.

The bank reported total assets of \$49,266,000 in its December 31, 1996 Report of Condition and Income (Call Report). The following table reflects the distribution of the bank's loan portfolio as of that date.

DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO AS OF DECEMBER, 31, 1996		
Type of Loan	Dollar Amount (In Thousands)	Percentage of Total Loans
Commercial Loans	5,027	26
Loans Secured by Real Estate:		
Secured by nonfarm, nonresidential properties	2,406	13
Loans secured by 1- to 4-family residential properties	3,340	18
Secured by farmland	191	1
Construction and land development	789	4
Secured by multifamily (5 or more) residential properties	45	<1
Agricultural Loans	1,939	10
Consumer Loans	5,256	28
Other	40	<1
Total	19,033	100

The bank's performance under CRA was last evaluated during the August 8, 1995 examination. An Outstanding rating also was assigned at that time.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area is defined as the geographic area the bank has designated as its service area. Stockgrowers State Bank is located in Worland, Wyoming, in the north central portion of the state. Located in the northwest portion of Washakie County, Worland serves as the county seat. The bank's assessment area is in the north central and north western portion of the state, including the counties of Washakie, Park, Big Horn, and Hot Springs. This area encompasses the towns of Worland and the surrounding communities of Ten Sleep and Big Trails in Washakie County; Cody, Powell, Meeteetse, and Yellowstone National Park in Park County; Lovell, Greybull, and Basin in Big Horn County, and Thermopolis in Hot Springs County.

According to U.S. Census information, the population growth for the bank's assessment area had risen from 46,900 in 1990 to 49,000 in 1994, which is an increase of 4.5 percent. The assessment area's population is predominantly white. Those of Hispanic origin comprise less than five-percent of the total population. The bank's assessment area does not arbitrarily exclude any low- and moderate-income areas.

There are a total of 16 block numbering areas (BNAs) in the assessment area. Each BNA is identified according to the level of income as compared to median family income. Median family income is based on the state of Wyoming's nonmetropolitan statistical area (nonMSA) median family income figures. The median family income for the bank's assessment area \$32,096. The median family area's level of income is compared to the median family income of the bank's assessment area and identified as low-, moderate-, or upper-income. Low-income is defined as less than 50 percent; moderate income as at least 50 percent and less than 80 percent; middle-income as at least 80 percent and less than 120 percent; and upper-income as 120 percent or more of the median family income of the bank's assessment area. The bank's assessment area does include any upper-income areas. The following table shows the distribution of those tracts among the four income categories

CHARACTERISTICS OF BNAs WITHIN THE BANK'S ASSESSMENT AREA		

	BNA Income Classifications				Total
	Low	Moderate	Middle	Upper	
Number of BNA-s	1	4	11	0	16
Percentage of Total BNA-s	6	25	69	0	100

The local economy is diverse and is based on agriculture, manufacturing, and trade. According to community contacts, Worland's economic base has been shifting from primarily agricultural towards a more balanced economy reflected in manufacturing. Worland is home to Admiral Beverage, Inc., (a Pepsi Cola bottling and distributing plant), Crown Cork and Seal, (a container manufacturer), Coors Brewing Company's barley storage facility, and the Holly Sugar factory, KCS (an oil producer), and Wyoming Gas and Natural Gas Processing, to name a few. Along with county and local governments, these businesses are the major employers in the Worland area. The agriculture sector consists primarily of cattle, sugar beets, wheat and hay. The unemployment rate for the assessment area is 5.3 percent. This figure is slightly lower than the nonMSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Community Reinvestment Act is satisfactory. The bank's performance under each of the five small institution assessment criteria is summarized on the following pages.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio, which contrasts the level of net loans to deposits, is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average net loan-to-deposit ratio since the bank's last exam, based on Call Report information ending December 31, 1996, is 48.14 percent. The average net loan-to-deposit ratio for similarly sized competing banks within the assessment area is 53.72 percent. The bank's loan-to-deposit ratio is slightly lower in comparison to other banks in the assessment area; however, it is reasonable given the competition within the assessment area. Although the assessment area is sparsely populated, the area is saturated with 25 financial institutions within the area and with 6 in the town of Worland.

To further enhance the bank's loan-to-deposit ratio, it was noted that the bank participates in the origination of real estate loans that are funded through another bank. These loans include, Federal Housing Authority (FHA), Veterans Administration (VA), Farmers Home Administration (FmHA). The bank also works with the Wyoming Community Development Authority (WCDA). The WCDA purchases guaranteed or insured portions originated under the forementioned government sponsored loan programs. As a result, the home buyer receives a lower interest rate. This program benefits low- and moderate-income individuals. Since the last exam, the bank has participated in 60 real estate loan participations totaling \$3,730,181.

Geographic Distribution of Loans

The bank's overall geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, given the demographics of the area. As mentioned previously, the assessment area includes one low-income BNA, four moderate-income BNAs, and eleven middle-income BNAs.

As demonstrated in the following table, the distribution of loans is concentrated in moderate- and middle-income block numbering areas. The analysis shows that zero percent of the loan activity is in the one low-income area. This is expected since this area has a sparse number of families and is located in a national forest 120 miles from Worland. Although the bank's consumer lending to moderate-income areas

appears disproportionately low, it should be noted that 69 percent of the BNAs are middle-income. This area is comprised of 73 percent of the families in the assessment area, and 70 percent of the households are owner-occupied. Individuals living in this area are more likely to use credit-related products from banks, such as home improvement loans. Also, of the four moderate income areas, one is in Park County (approximately 91 miles away), two are in Big Horn County, and one is located in the same county as Worland. This BNA is sparsely populated, contains a portion of the Big Horn National Forest, is considered a depressed area by community contacts, and has only two percent of the total number of families in the assessment area.

Of the small business/farm loans, eight loans were in the moderate-income areas and 44 loans were in middle-income areas. This reflects a 15 and 85 percent share of the loans, respectively. The assessment area is comprised of 27 percent moderate-income and 73 percent moderate-income level families. Loan concentration in the middle-income areas are in line with the demographics of the bank's assessment area, which is 25 percent moderate-income and 69 percent middle-income areas. Although the bank's consumer lending to moderate-income areas appears disproportionately low, the majority of small business/farm loans are concentrated in the middle-income areas.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF BNAs COMPARED TO CHARACTERISTICS OF THOSE BNAs								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
Motor Vehicle	0	0	9	79,103	49	526,548	0	0
<i>Percent of Total</i>	0%	0%	16%	13%	84%	87%	0%	0%
Consumer Real Estate	0	0	6	127,603	27	945,970	0	0
<i>Percent of Total</i>	0%	0%	18%	12%	82%	88%	0%	0%
Small Business/Farm	0	0	8	311,686	44	2,077,810	0	0
<i>Percent of Total</i>	0%	0%	15%	13%	85%	87%	0%	0%
Number of tracts in Assessment Area	1		4		11		0	
Percentage of Tracts	6%		25%		69%		0%	
Number of Families by Tract	28		3,482		9,391		0	

<i>Percentage of Families</i>	<1%	27%	73%	0%
Owner-Occupied Households by Tract	23	3,503	8,853	0
<i>Percentage of Households</i>	<1%	28%	70%	0%

Lending in Assessment Area

A substantial majority of the bank's loans are originated within the bank's assessment area. This conclusion is based on a sample of loans reviewed during the examination. Three types of loan products were sampled, as they were determined to be the bank's major product lines. These number of loans sampled and the product lines included 60 consumer motor vehicle-secured loans, 38 consumer real-estate secured loans, and 55 small business/ farm loans. As noted in the following tables, 92 percent of consumer loans and 95 percent of the small business/farm loans are originated from within the bank's assessment area. Overall, the total sample reveals that 93 percent of the bank's loans are from within the assessment area.

Consumer Motor Vehicle	Within Assessment Area	Outside Assessment Area
Number of Loans	58	2
Percentage of Total Number	97	3
Percentage by Dollar Volume	94	6

Consumer Real Estate	Within Assessment Area	Outside Assessment Area
Number of Loans	33	5
Percentage of Total Number	87	13
Percentage by Dollar Volume	89	11

Small Business/Small Farm	Within Assessment Area	Outside Assessment Area
Number of Loans	52	3

Percentage of Total Number	95	5
Percentage by Dollar Volume	91	9

Total Loan Sample	Within Assessment Area	Outside Assessment Area
Number of Loans	143	10
Percentage of Total Number	93	7
Percentage by Dollar Volume	91	9

Lending to Borrowers of Different Incomes and to Businesses/Farms of Different Sizes

According to 1990 U.S. Census data, there are 12,901 families in the bank's assessment area. These families are classified into the following income categories:

INCOME CLASSIFICATION OF FAMILIES WITHIN THE BANK'S ASSESSMENT AREA				
	Low	Moderate	Middle	Upper
Percentage of Families	22	21	26	31

The bank's distribution of lending to borrowers of different income levels within its assessment area is reflected in the following table:

INCOME CLASSIFICATION OF BORROWERS IN BANK'S LOAN SAMPLE				
	Low	Moderate	Middle	Upper
Percentage of Motor Vehicle - #	17	24	38	21
Percentage of Motor Vehicle Loans - \$	7	24	46	24
Percentage of Consumer R/E Loans - #	15	15	45	24
Percentage of Consumer R/E Loans - \$	9	9	45	37

The distribution of borrowers, given the demographics of the assessment area, reflects a reasonable penetration among individuals of different income levels. The distribution of loans to businesses/farms of different sizes reflects an excellent penetration within the area.

Given the demographics of the assessment area, the bank's loan sample indicates that the distribution of borrowers within the bank's assessment area reflects a reasonable penetration among individuals of different income levels. The sample indicates that 41 percent of consumer loans were to low- and moderate-income individuals. This is in proportion to the demographic figure of 43 percent for the assessment area based on median family income. For consumer real estate-secured loans, 30 percent of loans were to low- and moderate-income individuals, which is lower than the demographic figure. However, since middle-to-upper income individuals typically own a higher percentage of homes, this distribution of real estate-related lending activity is considered reasonable.

The bank's lending to businesses/farm of different sizes is excellent. The loan sample indicates that 94 percent of business/farm loans originated within the assessment area were to small businesses/farms with annual revenues less than \$1,000,000. Further, 56 percent of business loans were to businesses/farms with annual revenues less than \$100,000. The following table shows an excellent distribution of loans to small businesses/farms of different sizes when considering the bank's size:

DISTRIBUTION OF BUSINESS LOANS SAMPLED WITHIN THE ASSESSMENT AREA	
Revenue Category (based on gross annual revenues)	Percentage of Loans
Less than \$100,000	56
Greater than or equal to \$100,000 but less than \$250,000	11
Greater than or equal to \$250,000 but less than \$500,000	10
Greater than or equal to \$500,000 but less than \$1,000,000	6
Greater than or equal to \$1,000,000	6

Response to Complaints

The bank has not received any complaints about its performance in meeting assessment area credit needs. Therefore, no assessment of the bank's performance in responding to complaints was made.

Compliance with Antidiscrimination Laws and Regulations

There were no substantive violations of the antidiscrimination laws and regulations identified during the fair lending component of the compliance examination.

In summary, the bank's overall performance materially meets the standards for the performance criteria to the extent that an satisfactory rating is warranted.