



PUBLIC DISCLOSURE

June 27, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank of Newcastle
RSSD# 87159

24 North Sumner Avenue
Newcastle, Wyoming 82701

Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

First State Bank of Newcastle (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- A reasonable distribution of loans occurs throughout the bank's AA.
- Lending reflects a reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Examiners utilized the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's only AA. Examiners reviewed the following data:

- The bank's 16-quarter average NLTD ratio.
- A statistical sample of 68 small business loans selected from a universe of 103 loans originated between January 1, 2021 and December 31, 2021.
- A statistical sample of 46 motor vehicle loans selected from a universe of 60 loans originated between January 1, 2021 and December 31, 2021.

More weight was placed on the bank's small business lending performance based on the bank's strategic focus and composition of the loan portfolio.

DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Newcastle, Wyoming. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Northeastern Wyoming Bank Corporation, Newcastle, Wyoming.
- The bank has total assets of \$181.3 million (MM) as of December 31, 2021.

- The bank operates one location in Newcastle, Wyoming, with an onsite cash-only automated teller machine.
- As shown in the table below, the bank’s primary business focus by dollar volume is commercial and residential real estate lending. The bank’s highest numbers of originations are in consumer closed-end and commercial loans.

Table 1

Composition of Loan Portfolio as of December 31, 2021		
Loan Type	\$(000)	%
Construction and Land Development	2,576	5.9
Farmland	3,061	7.0
1- to 4-Family Residential Real Estate	10,532	24.2
Multifamily Residential Real Estate	870	2.0
Non-Farm Non-Residential Real Estate	8,888	20.4
Agricultural	3,492	8.0
Commercial and Industrial	9,904	22.8
Consumer	3,613	8.3
Other	553	1.3
Gross Loans	43,489	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its May 21, 2018 performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank’s Weston County AA consists of Weston County in its entirety and is unchanged since the prior examination (see Appendix A for an AA map and Appendix B for additional demographic data).

- The AA is comprised of one middle- and one upper-income census tract.
- The June 30, 2021 Federal Deposit Insurance Corporation (FDIC) deposit market share report shows the bank has a 54.4 percent market share, ranking 1st of 3 FDIC-insured institutions operating in the AA.
- One interview with a member of the community within the bank’s AA was conducted to ascertain the credit needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions. The community member represented an organization that supports local businesses within the AA.

Table 2

Population Change			
Assessment Area: Weston County AA			
Area	2010 Population	2015 Population	Percent Change
Weston County AA	7,208	7,152	(0.8)
NonMSA Wyoming	396,438	404,237	2.0
Wyoming	563,626	579,679	2.8

*Source: 2010 U.S. Census Bureau: Decennial Census
2011 – 2015 U.S. Census Bureau: American Community Survey*

- Weston County includes the town of Newcastle, which is the largest town in the AA with a population of 3,395 residents based on the 2020 U.S. Census Bureau Decennial Census and is also the county seat.
- Based on the 2020 U.S. Census Bureau Decennial Census, Newcastle’s population of 3,395 out of 6,838 residents accounts for 49.6 percent of the total population within Weston County.

Table 3

Median Family Income Change			
Assessment Area: Weston County AA			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Weston County AA	69,081	80,000	15.8
NonMSA Wyoming	73,003	72,833	(0.2)
Wyoming	71,832	73,194	1.9

*Source: 2006 – 2010 U.S. Census Bureau: American Community Survey
2011 – 2015 U.S. Census Bureau: American Community Survey*

Note: Median family incomes have been inflation-adjusted and are expressed in 2015 dollars.

- The percentage of AA families living below the poverty line, at 10.8 percent, is above both the statewide figure of 7.7 percent and the nonmetropolitan figure of 7.9 percent.
- According to the 2015 American Community Survey, 36.6 percent of AA families are considered LMI, which is below the statewide and nonmetropolitan figures at 38.2 percent and 38.5 percent, respectively.

Table 4

Housing Cost Burden						
Assessment Area: Weston County AA						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Weston County AA	58.7	0.0	23.2	40.0	22.4	15.3
NonMSA Wyoming	65.4	21.7	32.8	51.5	26.3	16.9
Wyoming	68.9	26.1	34.9	53.7	28.1	17.2

Source: U.S. Department of Housing and Urban Development (HUD), 2014 – 2018 Comprehensive Housing Affordability Strategy
Note: Cost Burden is housing cost that equals 30 percent or more of household income

- The median housing value in the AA of \$178,177 is below the statewide figure of \$194,800 and the nonmetropolitan figure of \$200,821.
- The AA’s median gross rent of \$740 is also below both the statewide and nonmetropolitan figures of \$789 and \$767, respectively.

Table 5

Unemployment Rates					
Assessment Area: Weston County AA					
Area	2017	2018	2019	2020	2021
Weston County AA	4.1	3.5	3.0	3.8	3.2
NonMSA Wyoming	4.2	4.0	3.7	5.6	4.3
Wyoming	4.3	4.1	3.7	5.8	4.5

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- Major industries in the AA are mining and oil/gas extraction, educational services, and public services.
- The community member stated that the primary employers in Weston County include North Antelope Rochelle Mine, Weston County Health Services, Weston County School District, Wyoming Refining Company, and Wyoming Honor Conservation Camp.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s overall lending test performance is Satisfactory based on the institution’s reasonable NLTD ratio; a majority of loans originated inside its AA; and the reasonable distribution of loans throughout the bank’s AA and to borrowers of different income levels and businesses of different sizes. In determining the overall lending test rating, more weight was placed on the analysis of lending to businesses of different sizes and individuals of different income levels and less weight was given to the geographic distribution of loans as the bank’s AA does not contain any LMI census tracts.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on loan portfolio composition, comparable market conditions, and similar funding sources for lending activities.

The bank’s NLTD ratio is reasonable as the bank’s ratio of 30.4 percent is above two of the four similarly situated institutions and below the other two institutions. The bank has a relatively large portion of deposits from public entities, which the bank is unable to lend against. A community member stated that there is low loan demand within the AA due to supply chain issues and many individuals are renting instead of purchasing homes.

Table 6

Comparative NLTD Ratios March 31, 2018 – December 31, 2021			
Institution	Location	Asset Size \$(000)	NLTD Ratio (%)
			16 Quarter Average
First State Bank of Newcastle	Newcastle, WY	181,296	30.4
Similarly Situated Institutions			
Sundance State Bank	Sundance, WY	248,122	65.4
Converse County Bank	Douglas, WY	885,283	28.0
First National Bank of Gillette	Gillette, WY	631,855	26.9
Lusk State Bank	Lusk, WY	67,681	61.5

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. The bank originated a majority of loans, by number and dollar, inside its AA.

Table 7

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Motor Vehicle	38	82.6	518	80.9	8	17.4	122	19.1
Small Business	53	77.9	3,362	63.4	15	22.1	1,938	36.6
Total Loans	91	79.8	3,880	65.3	23	20.2	2,060	34.7
<i>Note Percentages may not total 100.0 percent due to rounding.</i>								

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts with consideration given to the dispersion of loans throughout the AA. The bank’s geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA.

Small Business Lending

The geographic distribution of small business lending is reasonable. The bank’s lending performance in middle-income census tracts was comparable to the percentage of total businesses operating within these tracts. Lending in upper-income census tracts was also comparable to the demographic figure. In addition, an evaluation of the bank’s dispersion of small business lending revealed no gaps or lapses throughout the AA.

Table 8

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: Weston County AA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	32	60.4	2,306	68.6	65.0
Upper	21	39.6	1,055	31.4	35.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	53	100.0	3,362	100.0	100.0

*Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey*

Note: Percentages may not total 100.0 percent due to rounding.

Motor Vehicle Lending

The geographic distribution of motor vehicle lending is reasonable. The bank’s lending performance in middle-income census tracts was comparable to the percentage of households in these tracts. Lending in upper-income census tracts was also comparable to the demographic figure. In addition, an evaluation of the bank’s dispersion of motor vehicle lending revealed no gaps or lapses throughout the AA.

Table 9

Distribution of 2021 Motor Vehicle Lending By Income Level of Geography					
Assessment Area: Weston County AA					
Geographic Income Level	Bank Loans				Households %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	25	65.8	297	57.3	53.3
Upper	13	34.2	221	42.7	46.7
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	38	100.0	518	100.0	100.0

Source: 2021 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

This performance criterion evaluates the bank’s lending to borrowers of different income levels and businesses of different sizes. The bank’s lending has an overall reasonable distribution among individuals of different income levels and businesses of different sizes.

Small Business Lending

The borrower distribution of small business lending is reasonable. The bank’s lending to businesses with revenues of \$1.0MM or less was comparable to the percentage of total businesses operating in the AA with revenues of \$1.0MM or less.

Table 10

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Weston County AA					
	Bank Loans				Total Businesses
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	45	84.9	2,146	63.8	92.7
Over \$1 Million	8	15.1	1,215	36.1	5.6
Revenue Unknown	0	0.0	0	0.0	1.7
Total	53	100.0	3,362	100.0	100.0
By Loan Size					
\$100,000 or Less	43	81.1	1,208	35.9	
\$100,001 - \$250,000	5	9.4	705	21.0	
\$250,001 - \$1 Million	5	9.4	1,449	43.1	
Total	53	100.0	3,362	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	40	88.9	999	46.6	
\$100,001 - \$250,000	2	4.4	250	11.6	
\$250,001 - \$1 Million	3	6.7	897	41.8	
Total	45	100.0	2,146	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Motor Vehicle Lending

The borrower distribution of motor vehicle lending is excellent. Lending to low-income borrowers exceeded the percentage of low-income households in the AA. Lending to moderate-income borrowers also exceeded the demographic figure.

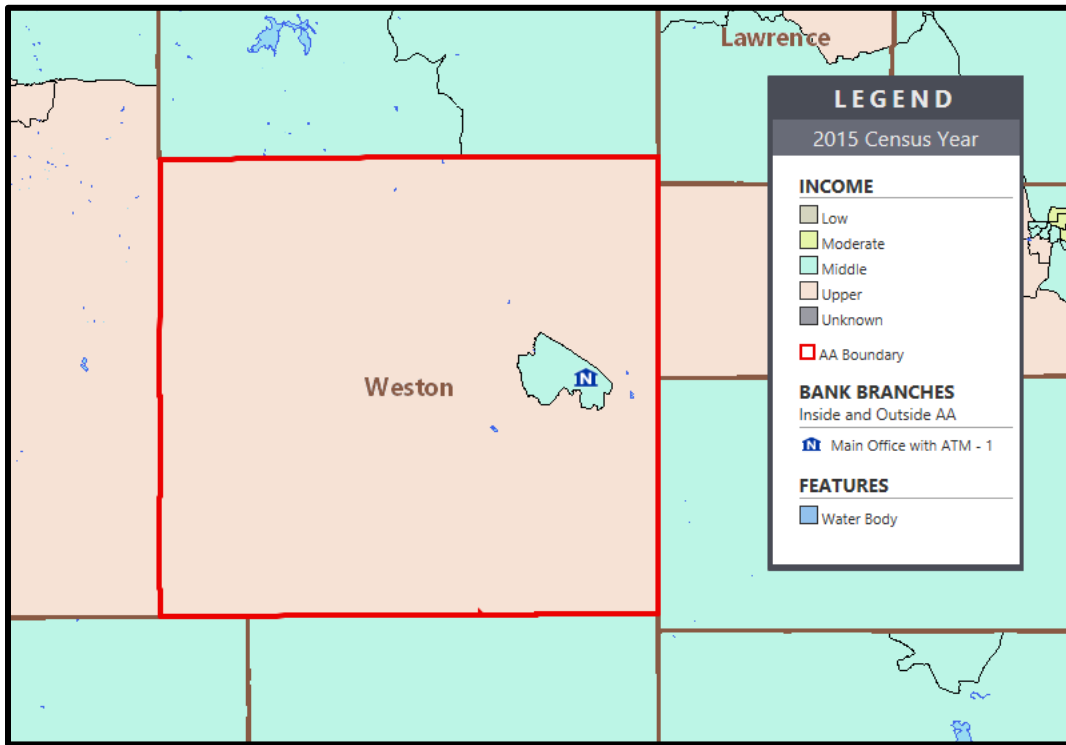
Table 11

Distribution of 2021 Motor Vehicle Lending By Borrower Income Level					
Assessment Area: Weston County AA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	%	
Low	16	42.1	150	29.0	26.0
Moderate	13	34.2	228	44.0	15.4
Middle	7	18.4	92	17.8	16.6
Upper	2	5.3	48	9.3	42.0
Unknown	0	0.0	0	0.0	0.0
Total	38	100.0	518	100.0	100.0
<i>Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of the CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION
Table B-1

2021 Weston County AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	414	22.0
Moderate	0	0.0	0	0.0	0	0.0	277	14.7
Middle	1	50.0	977	51.8	159	16.3	370	19.6
Upper	1	50.0	909	48.2	45	5.0	825	43.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2	100.0	1,886	100.0	204	10.8	1,886	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied		Rental		Vacant		
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	1,759	1,227	52.7	69.8	366	20.8	166	9.4
Upper	1,747	1,103	47.3	63.1	290	16.6	354	20.3
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	3,506	2,330	100.0	66.5	656	18.7	520	14.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	230	65.0	215	65.5	12	60.0	3	50.0
Upper	124	35.0	113	34.5	8	40.0	3	50.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	354	100.0	328	100.0	20	100.0	6	100.0
Percentage of Total Businesses:				92.7		5.6		1.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	8	18.6	8	18.6	0	0.0	0	0.0
Upper	35	81.4	35	81.4	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	43	100.0	43	100.0	0	0.0	0	0.0
Percentage of Total Farms:				100.0		0.0		0.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

APPENDIX C – GLOSSARY

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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

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).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States 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 such data as the race, gender, and the income of applications, the amount of loan requested, and the 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.

Limited-scope review: Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area (NonMSA): Any area that is not located within an MSA.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

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) instructions. 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.