



PUBLIC DISCLOSURE

MARCH 3, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**OREGON TRAIL BANK
RSSD# 900258**

**17 NORTH WYOMING AVENUE
GUERNSEY, WYOMING 82214**

**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**.*

Oregon Trail Bank (the bank) has a satisfactory record of helping to meet the credit needs of its assessment areas (AAs), including low- and moderate-income (LMI) individuals, in a manner consistent with its resources, operating philosophy, and the credit needs of the communities it serves. For its size, financial capacity, and the economic conditions within its AAs, the bank's overall efforts to meet its obligations under the Community Reinvestment Act (CRA) are considered satisfactory.

The bank's net loan to deposit (NLTD) ratio indicated a reasonable effort to extend credit in its lending market, consistent with safe and sound banking practices. A majority of the bank's lending activity occurred within its AAs. The geographic distribution of loans reflects a reasonable penetration of lending throughout the bank's AAs. The bank's distribution of loans to borrowers of different income levels and to businesses of different revenue sizes was reasonable, in consideration of the banking environment.

SCOPE OF EXAMINATION

The bank's performance was reviewed using the Federal Financial Institutions Examination Council's Interagency Small Bank Examination Procedures. Four of the five core criteria used in the evaluation of a small bank's lending performance under the CRA were relevant to this review and are as follows:

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

A fifth performance criterion was not relevant to this analysis because the bank had not received any complaints about its CRA performance during the evaluation period.

The bank's primary lending focus is commercial and agricultural lending, followed closely by residential real estate lending. The loan categories selected for review at this examination included commercial and residential real estate loans. Together, these loans represented 74.8 percent of the bank's loan portfolio by dollar volume as of September 30, 2013. The examination reviewed a statistically-derived sample of 43 commercial loans and 17 residential real estate loans originated between July 1, 2010 and December 31, 2013. Both of the bank's AAs received a full-scope review.

Due to the bank's small asset size and associated low volume of loan originations, multiple years of loan originations were included in the samples, as stated above. Due to the timing of the release of 2010 Census data and in accordance with CRA examination procedures, loans that were originated in 2010 and 2011 are required to be compared to 2000 Census data,

while those originated in 2012 and 2013 are compared to 2010 Census data. The analysis of each performance test described in subsequent sections details the differences between the Census data and its implications on the bank's performance.

During the examination, interviews with members of the community in the bank's AAs were conducted to ascertain the local economic conditions, the credit needs of the area, and the responsiveness of area banks to those credit needs.

DESCRIPTION OF INSTITUTION

The bank is a full-service financial institution offering standard loan and deposit products, headquartered in Guernsey, Wyoming. Guernsey is located approximately 100 miles north of Cheyenne, Wyoming. The bank is controlled by Community Bankshares of Wyoming, a shell one-bank holding company. In addition to the main location in Guernsey, the bank operates a full-service branch office with drive-up facilities in Chugwater, Wyoming. Chugwater is located approximately 53 miles south of Guernsey near I-25. The bank has two offsite cash-dispensing automated teller machines (ATMs) in Guernsey. Additionally, the bank offers a website and mobile banking as additional delivery channels for its customers.

The bank also has a branch location in Cheyenne, Wyoming. The city of Cheyenne is located in Laramie County in the southeastern corner of Wyoming along I-25. The entirety of Laramie County has been designated as the Cheyenne Metropolitan Statistical Area (MSA) by the U.S. Census Bureau. The branch location in Cheyenne is a full-service facility with a drive-up and a cash-dispensing ATM available for customer use.

The analysis of the bank's CRA performance considers the bank's financial capacity, local economic conditions, and demographics, including the competitive environment in which the bank operates. Based on the bank's financial condition, size, resources, and credit product offerings, it has the ability to meet the credit needs of its AAs. There are no known legal impediments to the bank's ability to lend within its market areas. The bank had assets of \$31.6 million and loans of \$16.3 million as of the September 30, 2013 Report of Condition and Income. Table 1 illustrates the composition of the bank's loan portfolio by product type.

TABLE 1 OREGON TRAIL BANK LOAN PORTFOLIO AS OF SEPTEMBER 30, 2013		
Loan Type	Amount \$(000)	Percent of Total
Commercial	9,551	58.8
Agricultural	3,117	19.2
Residential Real Estate	2,611	16.0
Consumer	927	5.7
Other	52	0.3
Gross Loans	16,258	100.0

The bank's CRA performance was last evaluated on December 14, 2009, by the Federal Reserve Bank of Kansas City, at which time it was assigned a Satisfactory rating.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

The bank has designated two contiguous AAs that serve two different markets. The Rural (nonmetropolitan) AA includes the entire counties of Platte and Goshen and the Cheyenne MSA AA includes all of Laramie County. The bank's Guernsey and Chugwater offices are located in Platte County. The Rural AA has six census tracts, five are moderate-income and one is a middle-income tract. The Cheyenne MSA AA contains the Cheyenne office. The Cheyenne MSA AA has 21 census tracts, of which six are moderate-, nine are middle-, five are upper-, and one is an unknown-income tract. The bank's performance was evaluated within the context of each AA, and an overall rating was assigned for the bank.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall performance of meeting the credit needs of its AAs through its lending activities was considered satisfactory based on its lending performance in both of the bank's designated AAs. The greatest emphasis was placed on its performance in the Rural AA. A more in-depth discussion of performance in each AA is contained in subsequent sections of this report.

Net Loan to Deposit Ratio

The bank's NLTD ratio is reasonable given its asset size, financial condition, competitive operating environment, and the credit needs of the areas it serves. Over the past 16 quarters ending December 31, 2013, the bank's NLTD ratio averaged 56.8 percent. One of the competitor banks had a NLTD ratio of 40.8 percent, while the other three had NLTD ratios of 64.2 percent, 68.2 percent, and 83.4 percent, respectively. Although competitor banks were similarly-situated banks, they were all located in Laramie County, with three headquartered in the city of Cheyenne. There were not any similarly-situated banks headquartered in Platte or Goshen Counties to use as a comparison. The bank's NLTD ratio was lower than the Cheyenne MSA at 70.8 percent, state at 66.9 percent, statewide rural at 66 percent, and the national peer ratios at 70.8 percent. According to community contacts, competition for overall lending activities is extremely competitive in both of the bank's AAs. These same contacts indicated that commodity prices and financial conditions have improved and overall loan demand has decreased in recent years. Based on these factors, the bank's efforts to engage in lending activities that are responsive to the needs of its area residents and businesses are considered reasonable.

Assessment Area Concentration

This performance criterion evaluates the concentration of loans originated by the bank within its AAs. As demonstrated in Table 2 on page 5, the bank originated a majority of its residential and business loans within its AAs. Overall, 81.7 percent by number and 85.9 percent by dollar volume were originated in the bank’s AAs. These numbers reflect that the bank is lending to meet the credit needs of the residents and businesses in its AAs. Only loans within the bank’s AAs are considered for the remaining loan distribution tests.

TABLE 2 LENDING INSIDE AND OUTSIDE OREGON TRAIL BANK’S AAs								
Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Residential Loans	16	1,408	94.1	98.5	1	21	5.9	1.5
Business Loans	33	4,406	76.7	82.6	10	930	23.3	17.4
Total Loans	49	5,814	81.7	85.9	11	952	18.3	14.1

Distribution by Income Level of Geographies

This performance criterion places emphasis on lending to LMI geographies for loans originated within the bank’s AAs. The bank’s AAs do not have any low-income tracts. Residential real estate loans were compared to the percentage of owner-occupied units located in each census tract based on its income level. Small business loans were compared to the percentage of small businesses located in each census tract based on its income level. Overall, the bank’s geographic distribution of residential real estate and small business loans reflected a reasonable dispersion considering economic conditions, demographics, and the location of the bank’s offices within its AAs. The geographic distribution is discussed in detail within the full-scope analysis of each AA.

Distribution by Borrower Income and Revenue Size of Businesses

This performance criterion evaluates the bank’s lending to borrowers of different income levels, including LMI individuals. This criterion also evaluates the bank’s lending to businesses of different revenue sizes, particularly those with gross annual revenues of \$1MM or less. The residential real estate loans were compared to the percentage of families located in the AAs by income level. Business loans were compared to the percentage of small businesses in each AA. The bank’s overall distribution of loans to borrowers of different income levels and to businesses of different revenue sizes is also considered reasonable. A detailed analysis of the loan distribution is provided in the full-scope analysis of each AA.

**RURAL ASSESSMENT AREA
(Full-Scope Review)**

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE RURAL ASSESSMENT AREA

The bank's presence in the Rural AA consists of its headquarters in Guernsey, Wyoming, and a branch located in Chugwater, Wyoming. Both of these offices are located in Platte County. As previously stated, the AA encompasses all of Platte and Goshen Counties.

According to the Federal Deposit Insurance Corporation (FDIC) Summary of Deposits as of June 30, 2013, the Rural AA contained 62.4 percent of the bank's total deposits. The bank had a deposit market share of 2.54 percent, making it the 6th largest of 8 FDIC-insured financial institutions in the AA. Given the bank's small asset size and only two branch locations in a large geographic area, it faces considerable competition for deposit and lending opportunities in this AA.

Census data for 2000 shows the AA contained one-moderate and five middle-income tracts. Census data for 2010 revealed the number of census tracts has not changed. However, the income level of tracts is significantly different. The income level of tracts changed from one moderate-income tract to five moderate-income tracts and from five middle-income tracts to one middle-income tract. Further, census data for 2010 revealed Platte County currently encompasses two moderate-income tracts and Goshen County encompasses three moderate-income tracts and one middle-income tract.

Population Trends and Characteristics

Census data for 2010 indicates the area's population was 21,916. Goshen County contains 60.5 percent of the population while Platte County contains 39.5 percent of the population. Since 2000, the area's population has modestly increased. Goshen County's population has grown by 5.7 percent, while the population in Platte County has shown very little growth at 1.6 percent. Population growth in both counties is considerably lower than the state average of 14.1 percent and the national average of 9.7 percent.

Income Characteristics

Census data for 2010, shows median household incomes for Goshen and Platte County are similar at \$42,590 and \$42,947, respectively, but much lower than the statewide rural median household income of \$54,529. A community contact stated that there are not many professional or technical jobs, which typically pay higher wages, available in these counties. However, the cost of living is lower and many residents are self-employed farmers and ranchers. The number of households classified as LMI in the AA is 51.3 percent. This is significantly higher than the statewide rural median LMI household figure of 39.6 percent.

Economic and Employment Characteristics

Community contacts stated that the current economic conditions remain stable with slow steady growth. One of the contacts stated that they are cautiously optimistic that increased activity in the energy industry may boost growth in employment opportunities, housing and retail industries, especially in the larger cities and towns.

According to U.S Bureau Labor statistics data the major industries in Platte County are concentrated in the agriculture and energy industries. In agriculture, livestock production of beef and dairy cattle, sheep, and hogs is prevalent in the area. Major crop production in Platte County includes native and alfalfa hay, wheat, barley, oats, corn, dry beans, and sugar beets. In addition, there has been an increase in the production of specialty crops. The energy industry in the area is also very diverse. Bioenergy, coal, electric power, fossil fuels, fusion, geothermal, hydrogen, hydropower, natural gas, nuclear, oil, and renewables like solar and wind power are primary forces developing and driving the economy. A community contact stated that Platte County is poised on the cutting edge of both renewable energy and the oil industry. The primary long-term employers in Platte County are the Platte Valley School District, Laramie River Station (electric power), Burlington Northern/Santa Railroad and the Platte County Memorial Hospital.

The primary industry in Goshen County is agriculture. Sugar beets, potatoes, beans, corn, wheat, and alfalfa are all grown in the area. More than 20,000 cattle are raised in Goshen County, which makes it the state's leading beef producer. The economy is diversified by manufacturing of agriculture products - such as sugar and ethanol and wood composite products using straw and recycled plastics. The major employers are the Goshen County School District, Wyoming Medium Correction Institution (prison), Western Sugar Cooperative (sugar mfg.), and Banner Health Care.

According to the U.S. Bureau of Labor Statistics as of December 31, 2013, the unemployment rates in Platte and Goshen Counties were 5.1 and 4.1 percent, respectively. These figures are comparable to the state of Wyoming's unemployment rate of 4.5 percent. Overall, Wyoming has one of the lowest unemployment rates in the U.S. The U.S. unemployment rate was 6.7 percent for the same time period.

Housing Characteristics

Two community contacts stated that the AA has an aging housing inventory and rental housing is hard to find. The challenges with an aging housing inventory are reflected in the housing statistics for each county listed below. While there may be a sufficient number of properties available in the area, the quality of these properties may be a concern, particularly for potential rental clientele. The median age of housing stock is relatively high at 46 years. The older housing stock most likely contributes to the higher number of vacant properties in the area and the lack of suitable properties available to rent. According to Census data from 2008 through 2012, Platte County reflected 82.2 percent of all housing units were occupied. Of these, 62.1 percent were owner-occupied, 20.1 percent were renter occupied, 17.7 percent were vacant

and 1.9 percent was available to rent. Goshen County reflected 88.9 percent of all housing units were occupied. Of these, 62.6 percent were owner-occupied, 26.3 percent were renter occupied, 11.1 percent were vacant and 1.7 percent was available to rent. The figures in both counties point to the need for additional quality rental housing to support potential job growth, particularly in the energy industry.

Table 3 below provides general AA demographic and economic characteristics. Information is based on 2010 American Community Survey (ACS) data and 2012 Dun & Bradstreet (D&B) data.

TABLE 3 OREGON TRAIL BANK'S NONMETROPOLITAN AA DEMOGRAPHICS									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,514	26.2	
Moderate-income	5	83.3	4,651	80.5	323	6.9	1,483	25.7	
Middle-income	1	16.7	1,128	19.5	64	5.7	1,232	21.3	
Upper-income	0	0.0	0	0.0	0	0.0	1,550	26.8	
Total AA	6	100.0	5,779	100.0	387	6.7	5,779	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	8,657	5,263	79.8	60.8	1,906	22.0	1,488	17.2	
Middle-income	1,988	1,335	20.2	67.2	474	23.8	179	9.0	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total AA	10,645	6,598	100.0	62.0	2,380	22.4	1,667	15.7	
	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	946	81.7	862	81.2	46	90.2	38	84.8	
Middle-income	212	18.3	200	18.8	5	9.8	7	15.6	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	1,158	100.0	1,062	100.0	51	100.0	45	100.0	
Percentage of Total Businesses:					91.7		4.4		3.9

Based on 2010 Census tract boundaries, 2010 ACS data, and 2013 D&B data
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Distribution by Income Level of Geographies:

TABLE 4 DISTRIBUTION BY INCOME LEVELS OF GEOGRAPHIES RURAL AA - 2013					
Census Tract Income Level	Residential Real Estate Loans				% of Owner Occupied Units¹
	#	\$(000)	#%	\$%	
Low	0	0	0	0.0	0.0
Moderate	8	1,072	100.0	100.0	79.8
Middle	0	0	0.0	0.0	20.2
Upper	0	0	0.0	0.0	0.0
Total	8	1,072	100.0	100.0	100.0
Census Tract Income Level	Small Business Loans				% of Businesses²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	6	776	85.7	82.9	81.7
Middle	1	160	14.3	17.1	18.3
Upper	0	0	0.0	0.0	0.0
Total	7	936	100.0	100.0	100.0

¹ Based on 2010 Census tract boundaries and 2010 ACS data
² Based on 2013 D&B data
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

This core performance criterion evaluates the bank's distribution of loans among geographies of various income levels. The bank's overall lending performance reflects a reasonable penetration of lending to the moderate-income geographies in this AA.

Residential Real Estate Loans

The bank's total home mortgage loan volume was compared to the percentage of owner-occupied units within each income tract classification. The percentage of owner-occupied units is used as an indicator of potential home mortgage lending opportunities for the bank within those tracts. The bank's lending in LMI tracts was found to be slightly less than the number of owner-occupied units in those tracts.

A total of 15 residential real estate loans were originated in the AA during the evaluation period. Table 4 above shows a total of eight loans were originated in 2013 and all were in moderate-income tracts. In 2012, 2 loans were originated in the moderate-income tracts. In 2010 and 2011, 5 loans were originated in the middle-income tracts. All five of these loan originations would currently be located in moderate-income census tracts using the 2010 census tract designations. From 2010 - 2013, the bank originated 66.7 percent of its loans in moderate-income tracts, which is lower than the number of owner-occupied units at 78.9 percent. If the five originations from 2010 and 2011 that currently reside in moderate-income tracts are included, the bank's lending percentage in moderate-income census tracts would increase to 100 percent. Therefore, the bank's geographic distribution of loans, while slightly

below the demographic of owner-occupied units, is reasonable considering the demographics changes to the AA since the 2000 census.

Small Business Loans

A total of 15 small business loans were originated during the evaluation period in the Rural AA. As shown in Table 4 on page 9, six business loans (85.7 percent of originations) were originated in the moderate-income tracts and one loan was originated (14.3 percent of originations) in the middle-income tract in 2013. In 2012, two loans were originated in the moderate-income tracts and one in a middle-income tract. In 2010 and 2011, five loans were originated in the middle-income tracts. Three of these loan originations would currently be located in moderate-income census tracts using the 2010 census tract designations. From 2010 - 2013, the bank originated 53.3 percent of its loans in moderate-income tracts which compares unfavorably to the number of small businesses in these tracts at 81.7 percent. If the three originations from 2010 and 2011 that currently reside in moderate-income tracts are included, the bank's lending percentage in moderate-income census tracts would increase to 73.3 percent. Therefore, the bank's geographic distribution of loans, while slightly below the demographic of small businesses, is reasonable considering the demographics changes to the AA since the 2000 census.

Distribution by Borrower Income and Revenue Size of Businesses:

TABLE 5 DISTRIBUTION BY INCOME LEVEL OF BORROWER AND REVENUE SIZE OF BUSINESSES RURAL AA - 2013					
Borrower Income Level	Residential Real Estate Loans				% of Families¹
	#	\$(000)	#%	\$%	
Low	1	75	12.5	7.0	26.2
Moderate	1	24	12.5	2.2	25.7
Middle	3	402	37.5	37.5	21.3
Upper	3	571	37.5	53.3	26.8
Total	8	1,072	100.0	100.0	100.0
Business Revenue	Small Business Loans				% of Businesses by Revenue²
	#	\$(000)	#%	\$%	
\$1MM or Less	7	936	100.0	100.0	91.7
Over \$1MM	0	0	0.0	0.0	4.4
Income Not Known	0	0	0.0	0.0	3.9
Total	7	936	100.0	100.0	100.0

¹ Based on 2010 ACS data
² Based on 2013 D&B data
(Note: Total percentages shown may vary by 0.1% due to automated rounding differences.)

The bank's overall performance for this test reflects a reasonable penetration to borrowers of all income and revenue levels. This performance criterion evaluates the bank's lending to borrowers of different income levels, including LMI individuals. In addition, it evaluates the

bank's lending to businesses of different revenue sizes, particularly those with gross annual revenues of \$1MM or less. For this lending test, the focus was placed on the number of loans originated within the AA, rather than the dollar volume, to more accurately represent the number of applicants impacted by the bank's lending activity.

Residential Real Estate Loans

As previously mentioned, a total of 15 residential real estate loans were originated during the evaluation period. In 2013, the bank's percentage of residential real loans made to low- and to moderate-income borrowers was 12.5 percent, respectively. For middle- and upper-income borrowers, the percentage was 37.5 percent, respectively. This information is reflected in Table 5 on page 10. The bank's lending performance for 2013 is lower than the percentage of families at the low- and moderate-income tiers and higher than the percentages of families at the middle- and upper-income tiers. From 2010 – 2012, a total of seven loans were originated, including one loan to a low-income borrower, two loans to moderate-income borrowers, three loans to middle-income borrowers and one loan to an upper-income borrower. From 2010 - 2013, the bank originated 13.3 and 20.0 percent of its residential real estate loans to low- and moderate-income borrowers, respectively. These figures were lower than the demographic figures for these income levels.

According to bank management, the demand for residential real estate loans in this AA during the evaluation period was low. A community contact stated that there are a limited number of homes for sale in the area. The majority of these are priced in the \$140,000 to \$269,000 range. According to this same contact, this price range is generally not affordable for low- and moderate-income borrowers. Additionally, two community contacts stated that in some areas, there are a large number of transient workers that prefer to rent and many permanent workers who prefer to commute and reside outside the AA. Based on the mitigating information presented above, the bank's lending performance is considered reasonable.

Small Business Loans

As shown in Table 5 on page 10, all of the small business loans in 2013 were originated to businesses with revenues of \$1MM or less. This compares favorably to the 91.7 percent of small businesses in the AA whose revenues are \$1MM or less. In 2010, the bank did not originate any business loans. In 2011 there were five loan originations of which four were to businesses with revenues of \$1MM or less and one was to a business with revenues of over \$1MM. In 2012, a total of three loans were originated of which one was to a business with a revenue of under \$1MM and two were to businesses with revenues of over \$1MM. From 2010 – 2013, the bank originated 80 percent of its small business loans to businesses with less than \$1MM in revenues. Overall, the bank's distribution of loans to small businesses by revenue size for the evaluation period is considered reasonable given the limited number of originations.

**CHEYENNE METROPOLITAN STATISTICAL AREA ASSESSMENT AREA
(Full-Scope Review)**

DESCRIPTION OF THE CHEYENNE MSA AA

The bank's presence in the Cheyenne MSA AA consists of a branch located in the city of Cheyenne, Wyoming. The AA encompasses all of Laramie County which is located in the southeastern corner of Wyoming, west of the Nebraska state line and north of the Colorado state line. Cheyenne is approximately 97 miles south of Guernsey, Wyoming. The Cheyenne branch is full-service with a drive-through teller facility and one onsite cash-dispensing ATM. Standard loan and deposit products are offered.

According to the FDIC Summary of Deposits as of June 30, 2013, the Cheyenne MSA AA contained 37.6 percent of the bank's total deposits. The bank had a deposit market share of just 0.74 percent, making it the 17th largest of 20 FDIC-insured financial institutions in the AA. The bank faces significant competition in the AA for deposit and lending opportunities due to the large number of national, regional, and community based financial institutions, as well as credit unions located in Laramie County.

According to 2010 Census data, the Cheyenne MSA AA is comprised of 21 census tracts. Census data for 2010 shows that the number of census tracts increased to 21 from the 18 reflected at the 2000 census. There are now six moderate-income, nine middle-income, five upper-income and one unknown-income tract. There are no low-income census tracts in the AA. The bank's moderate-income tracts are located in the more urban part of the AA near the city of Cheyenne. Laramie County spans 2,688 square miles, and although the number of moderate-income tracts is similar in number to the middle- and upper-income tracts, the geographic area represented by the moderate-income tracts is significantly smaller than that of the middle- and upper-income tracts.

Population Trends and Characteristics

Laramie County is the most populous of the 23 counties within the state of Wyoming and includes the city of Cheyenne and towns of Albin, Burns, and Pine Bluffs. Cheyenne is the capital of Wyoming. The Census Bureau's current census estimates indicate that Laramie County's population increased from 91,738 in 2010 to 94,483 in 2012, or by 3.0 percent. This compares to a statewide population growth of 2.3 percent over the same period. According to the U.S. Census Bureau, approximately 6.7 percent of the population in the AA is designated as below poverty level.

Income Characteristics

According to Census data from 2008 through 2012, the Laramie county median household income was \$54,596 and had grown by 37.8 percent since 2000. The income growth rate was lower than the state average rate of 49.3 percent and higher than the national average rate of 26.3 percent.

Economic and Employment Characteristics

Several community contacts stated that the economy has recovered and is continuing to improve in the AA. Community contacts further stated that the area has seen an increase in retail sales and growth in the residential real estate housing market due to the increased activities in the energy market. The 2012 unemployment rate in the Cheyenne MSA was 6.1 percent, which was slightly higher than the state of Wyoming's unemployment rate of 5.4 percent, but much lower than the U.S. unemployment rate of 8.1 percent for the same time period.

The primary employers in the AA are Warren Air Force Base (military), the state of Wyoming (government services), Laramie County School District #1, and the Federal Government. Additionally, Microsoft, Lowes, and Walmart have moved into the Cheyenne area in recent years. Many area residents are employed by or are dependent on the U.S. Air Force, through F.E. Warren Air Force Base to the west of the city, or by the Wyoming National Guard. According to community contacts, Cheyenne's high elevation, coupled with its position on the continent, make it one of the windiest cities in America. The abundance of wind makes Cheyenne an opportune place to develop wind energy. Additionally, railroads remain a major economic force for the city, with both the Burlington Northern Santa Fe and Union Pacific railroads employing many residents. The key industries in the AA are in the defense, energy, and transportation sectors.

Housing Characteristics

The 2010 Census reflects that 62.2 percent of all homes in the AA are owner-occupied, 28.0 percent are rental properties and 9.8 percent are vacant properties. A community contact stated that the supply of rental units in the local market tightened considerably in 2012; the number of available unfurnished apartments decreased by 17 percent, and homes and duplexes available for rent fell by 24 percent. The median housing value in the Cheyenne AA is \$192,942, which was approximately 11 percent higher than the state of Wyoming figure of \$174,000. The volume of new home construction in Laramie County continues to increase. Over the last two years, the increase has been over 45 percent. Even with this large increase in production, a community contact stated that there is not enough housing stock available for LMI residents. Illustrating the high demand, homes available for sale in the AA for amounts less than \$300,000 are on the market for only a very short time.

Table 6 on page 14 provides general AA demographic and economic characteristics. Information is based on 2010 ACS data and 2012 D&B data.

**TABLE 6
CHEYENNE MSA AA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,391	18.5
Moderate-income	6	28.6	6,599	27.8	959	14.5	4,530	19.1
Middle-income	9	42.9	11,909	50.1	567	4.8	5,678	23.9
Upper-income	5	23.8	5,263	22.1	63	1.2	9,172	38.5
Unknown-Income	1	4.7	0	0.0	0	0.0	0	0.0
Total AA	21	100.0	23,771	100.0	1,589	6.7	23,771	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	13,032	6,634	26.9	50.9	4,823	37.0	1,575	12.1
Middle-income	18,209	11,671	47.3	64.1	5,009	27.5	1,529	8.4
Upper-income	8,433	6,384	25.8	75.7	1,269	15.0	780	9.2
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	39,674	24,689	100.0	62.2	11,101	28.0	3,884	9.8
	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	2,087	42.1	1,833	40.7	175	60.8	79	48.5
Middle-income	1,654	33.4	1,543	34.3	70	24.3	41	25.2
Upper-income	1,197	24.2	1,114	24.7	42	14.6	41	25.2
Unknown-Income	15	0.3	12	0.3	1	0.3	2	1.1
Total AA	4,953	100.0	4,502	100.0	288	100.0	163	100.0
Percentage of Total Businesses:				90.9		5.8		3.3

Based on 2010 Census tract boundaries, 2010 ACS data, and 2012 D&B data

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Distribution by Income Level of Geographies:

TABLE 7 DISTRIBUTION BY INCOME LEVELS OF GEOGRAPHIES CHEYENNE MSA AA					
Census Tract Income Level	Residential Real Estate Loans				% of Owner Occupied Units¹
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0
Moderate	0	0	0.0	0.0	26.9
Middle	0	0	0.0	0.0	47.3
Upper	0	0	0.0	0.0	25.8
Unknown ³	0	0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0
Census Tract Income Level	Small Business Loans				% of Businesses²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	4	1,209	33.3	70.7	42.1
Middle	1	20	8.3	1.2	33.4
Upper	7	481	58.3	28.1	24.2
Unknown ³	0	0	0.0	0.0	0.3
Total	12	1,710	100.0	100.0	100.0

¹ Based on 2010 Census tract boundaries and 2010 ACS data.
² Based on 2013 D&B data.
³ Does not include tracts where the income level is unknown. Only includes tract locations not known.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

This core performance criterion evaluates the bank's distribution of loans among geographies of various income levels. The bank's overall lending performance reflects a reasonable penetration of lending to the moderate-income geographies in this AA.

Residential Real Estate Loans

In 2012, one residential real estate loan was originated in a middle-income tract for \$30,000. This loan was the only residential real estate loan originated in the Cheyenne MSA AA during the examination period. Based on the limited origination volume in the Cheyenne MSA AA, no relevant conclusions regarding the bank's lending performance in this AA could be reached.

Competitive factors reveal that the bank may have some disadvantages in its ability to make residential real estate loans under this test. The bank faces tough competition from numerous financial institutions with a greater presence in the area. In addition, the bank offers a limited number of real estate loan programs and does little marketing of these loan products.

Small Business Loans

A total of 18 small business loans were originated in the AA during the evaluation period. As shown in Table 7 above, the bank originated four loans (33.3 percent of originations) in the moderate-income tracts, one loan (8.3 percent of originations) in the middle-income tracts, and seven loans (58.3 percent of originations) in the upper-income tracts in 2013.

In 2010, there were two originations in the moderate-income tracts and in 2011 there were no originations. A total of four loans were originated in 2012, of which two were in the middle-income tracts and two were in upper-income tracts. From 2010 – 2013, 33.3 percent of the small business loans in the sample were originated in moderate-income tracts. This was slightly below the demographic of 42.1 percent of small businesses located in the moderate income tracts, but is reasonable considering the area’s economic conditions, the demographics of the AA, the strong competition from other lenders, and the location of the bank’s branch within the AA.

Distribution by Borrower Income and Revenue Size of Businesses:

TABLE 8 DISTRIBUTION BY INCOME LEVEL OF BORROWER AND REVENUE SIZE OF BUSINESSES - 2013 CHEYENNE MSA AA					
Borrower Income Level	Residential Real Loans				% of Families¹
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	18.5
Moderate	0	0	0.0	0.0	19.1
Middle	0	0	0.0	0.0	23.9
Upper	0	0	0.0	0.0	38.5
Total	0	0	0.0	0.0	100.0
Business Revenue	Small Business Loans				% of Businesses by Revenue²
	#	\$(000)	#%	\$%	
\$1MM or Less	9	639	75.0	37.3	90.9
Over \$1MM	3	1,072	25.0	62.7	5.8
Income Not Known	0	0	0.0	0.0	3.3
Total	12	1,711	100.0	100.0	100.0

¹ Based on 2010 ACS data.
² Based on 2013 D&B data.
 (Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

The bank's overall performance for this test reflects a reasonable penetration to borrowers of all income and revenue levels. This performance criterion evaluates the bank's lending to borrowers of different income levels, including LMI individuals. In addition, it evaluates the bank's lending to businesses of different revenue sizes, particularly those with gross annual revenues of \$1MM or less. For this lending test, the focus was placed on the number of loans originated within the AA, rather than the dollar volume to more accurately represent the number of applicants impacted by the bank's lending activity.

Residential Real Estate Loans

Table 8 on page 16 reflects that there were no residential real estate loan originations in 2013. As mentioned earlier, there was one real estate origination in the Cheyenne MSA AA; therefore no relevant conclusions could be reached. The bank has been in the market since the mid-2000's and according to bank management, it has yet to make a significant lending penetration in Cheyenne. The bank faces tough competition from numerous financial institutions with a greater presence in the area.

Small Business Loans

As shown in Table 8 on page 16, nine of twelve business loans were originated to businesses with revenues of \$1MM or less in 2013. The origination percentage of 75 percent is lower than the 90.9 percent of businesses with revenues of \$1MM or less in the AA. The remaining three loans were originated to businesses with revenues over \$1MM. In 2010, the bank originated two business loans, one was to a business with revenue of \$1MM or less and one was to a business with revenue of over \$1MM. There were not any loan originations in 2011. In 2012, the bank originated four loans to businesses with revenues of \$1MM or less. From 2010 – 2013, the bank originated 14 loans or 78 percent of originations to businesses with revenues of \$1MM or less. This percentage trails the 90.9 of small business in the AA, but is considered reasonable given the limited lending volume and the bank's struggle to gain market share in this AA.

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 the 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 has not engaged in any illegal credit practices inconsistent with helping to meet the community credit needs.

