



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

November 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hilltop National Bank
Charter Number 15359**

**300 Country Club Road
Casper, Wyoming 82609**

**Office of the Comptroller of the Currency
Salt Lake City Field Office
2855 Cottonwood Parkway, Suite 370
Salt Lake City, Utah 84121**

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 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 the **Hilltop National Bank**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 30, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Outstanding.**”

We assign this rating based on the following factors:

- The bank’s lending pattern reflects excellent distribution among businesses of different sizes and individuals of different income levels.
- The bank makes a substantial majority of loans within its assessment area.
- The bank is a leader in providing community development services.
- The bank’s loan-to-deposit ratio is reasonable.
- The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area.

The following table indicates the performance level of Hilltop National Bank, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Hilltop National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No Complaints Received Since the Prior Examination		

DESCRIPTION OF INSTITUTION

Hilltop National Bank (HNB) is a full service community bank located in Casper, Wyoming. On October 31, 1998, the bank had total assets of \$224 million. HNB is 100% owned by Midland Financial Corporation, a one-bank holding company based in Casper. The bank has three offices in Casper and one in Glenrock (20 miles east of Casper.) It also operates eleven ATM's, five of which accept deposits.

HNB specializes in residential real estate and small business lending. On June 30, 1998, commercial loans comprised 41% of outstanding loans, residential real estate loans 32%, consumer loans 19%, and agricultural loans 7%. Net loans represented 46% of total assets. The bank's loan portfolio has grown steadily, increasing 26% from June 30, 1996 to June 30, 1998.

HNB received an "Outstanding" rating in the previous CRA Performance Evaluation dated November 6, 1996. There are no financial or legal impediments which limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

HNB's assessment area includes all of Natrona County and the western third of Converse County. The assessment area encompasses all 19 census tracts (CTs) in the Casper, Wyoming Metropolitan Statistical Area (MSA) #1350. It also includes two block numbering areas (BNAs) in Converse County. The following cities and towns are located within the assessment area: Casper, Alcova, Bar Nunn, Evansville, Mills, Edgerton, Midwest, Natrona, Powder River, Arminto, Hiland, Waltman and Glenrock. Approximately 65,000 people live in the assessment area, with the majority living in Casper. We concluded that the bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

HNB faces competition in the assessment area from branches of four regional banks, one community bank, and nine credit unions.

The 1998 updated HUD MSA median family income (MFI) for Casper is \$41,200. Also, the 1998 updated HUD non-MSA statewide MFI for Wyoming is \$41,900. Using these figures, the weighted average MFI for the bank's assessment area is \$41,266. The following table lists the income distribution of census tracts/BNAs and families within the bank's assessment area.

DESCRIPTION OF ASSESSMENT AREA (continued)

1990 U.S. Census Income	# of CTs/BNAs (%)	% of Families
Low Income (<50% MFI)	2 (10%)	20%
Moderate Income (50-79% MFI)	4 (19%)	17%
Middle Income (80-119% MFI)	12 (57%)	25%
Upper Income (120+% MFI)	3 (14%)	38%

The largest employment sectors are oil and gas exploration/extraction, health care, retail trade, and government. The principal economic activities in the county are oil and gas production, oil and gas service activities, and agriculture.

We contacted one community development official, one real estate broker and one small business lending expert in the assessment area to discuss economic conditions and credit needs. These individuals stated that the local economy is stable and somewhat stagnant. The community has never fully recovered from the oil and gas bust of the 1980's. The area continues to have a modest surplus of housing, which holds down house prices and rents. This also inhibits new construction. The community contacts identified small business and affordable housing as the most pressing community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

HNB exhibits a reasonable loan-to-deposit ratio given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio for the eight quarters ending June 30, 1998, was 46%. The average loan-to-deposit ratio for three similarly situated banks in eastern Wyoming was 48%. The relatively low loan-to-deposit ratios for banks in eastern and central Wyoming reflects the generally stagnant economic conditions. However, HNB sold \$37 million of residential real estate loans on the secondary market in 1997 and the first nine months of 1998. If these loans were held in the bank's loan portfolio, the loan-to-deposit ratio would increase to approximately 69%. HNB is the top originator of residential real estate loans in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Lending in Assessment Area

HNB makes a substantial majority of its loans within the assessment area. We sampled 179 commercial loans and 111 residential real estate loans originated in 1998. 100% of the residential real estate loans and 97% of the commercial loans were made in the assessment area.

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

HNB's lending patterns reflect excellent distribution among businesses of different sizes and individuals of different income levels. The bank originated 76% of its farm and business loans to very small entities with gross revenues less than \$250,000. In total, the bank originated 84% of its farm and business loans to entities with gross revenues under \$1MM.

We analyzed the distribution of 25 business loans made from January 1, 1997 to October 31, 1998. We obtained the gross revenue information from individual loan files. The following chart reflects the distribution of business loan originations to businesses of various sizes:

Business Loan Sample Analysis

Gross Business Revenues	# of Loans	% of Loans
Less than \$100,000	10	40 %
\$100,000 to \$250,000	9	36 %
\$250,000 to \$500,000	1	4 %
\$500,000 to \$1,000,000	1	4 %
Greater than \$1,000,000	4	16 %

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

The bank's record of residential real estate lending shows exceptional responsiveness to the credit needs of low- and moderate-income families. According to Home Mortgage Disclosure Act (HMDA) data for 1997, HNB originated the most residential real estate loans in the Casper MSA. They especially excelled in lending to low- and moderate-income families. The bank enjoyed a 23% market share for low-income families and 25% market share for moderate-income families. In contrast, HNB's had a 19% market share for middle-income families and a 14% market share for upper-income families.

We reviewed the distribution of residential real estate and consumer loans made from January 1, 1997 to October 31, 1998. We reviewed 425 residential real estate loans using 1997 HMDA data. We analyzed the distribution of 25 consumer loans made from January 1, 1997 to October 31, 1998 and gathered income information from the loan files. The following chart compares the bank's distribution of consumer and residential real estate loan originations to families of different income levels:

Residential Real Estate and Consumer Loan Sample Analysis

Family Income	% of Residential RE loans	% of Consumer Loans	% of Families in Assessment Area
Low (<\$20,633)	13%	40%	20%
Moderate (\$20,634-\$33,013)	34%	16%	17%
Middle (\$33,014-\$49,519)	29%	20%	25%
Upper (>\$49,520)	24%	24%	38%

To promote affordable housing, HNB participates in the Wyoming Community Development Authority (WCDA) program. This program offers closing cost assistance, no down payments, and reduced interest rates. The bank originated 328 WCDA loans totaling \$13 million in 1997 and the first ten months of 1998. HNB is the second largest user of the WCDA program in the MSA. The bank also provides home financing for low- and moderate-income families by making mobile home loans. The bank held 53 consumer loans secured by mobile homes as of December 8, 1998.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Geographic Distribution of Loans

The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. We analyzed a sample of 427 residential real estate loans using 1997 HMDA data. HNB made residential real estate loans in all classes of census tracts, including all low-income census tracts.. The bank had a 22% market share for low-income census tracts and a 23% market share for moderate-income census tracts. The following chart compares the bank’s distribution of residential real estate loan originations (number of loans) to the distribution of owner-occupied housing in census tracts of different income levels:

Census Tract Income Level	% of Residential RE Loans	% of Owner-occupied Housing
Low Income (<50% MFI)	3%	4%
Moderate Income (50-79% MFI)	12%	12%
Middle Income (80-119% MFI)	50%	52%
Upper Income (120+% MFI)	35%	32%

CONCLUSIONS WITH RESPECT TO INVESTMENTS AND SERVICES

HNB officers have provided financial expertise to local organizations which promote affordable housing, economic development, and credit education to low- and moderate-income individuals. Bank employees serve as board members and officers of the following organizations: Habitat for Humanity, Downtown Development Authority, Consumer Credit Counseling Service, Housing and Community Development Agency, and Housing Alternatives, Inc. The Downtown Development Authority works with HUD to renovate buildings and provide affordable housing for the elderly. The Housing and Community Development Agency distributes federal block grant funds for necessary repairs to homes of low-income families. This money is also used to rehabilitate commercial buildings and promote economic redevelopment. Housing Alternatives, Inc. provides affordable housing for low-income families. The Consumer Credit Counseling Service provides budget counseling and debt management programs for families facing economic difficulties. They also provide credit education programs in schools and other community organizations.

Record of Complaints and Compliance with Anti-discrimination Laws

There were no complaints about the bank's CRA performance from the public since the last CRA examination.

Concurrent to the CRA review, we tested the bank's compliance with the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, and the Fair Housing Act. We did not find any violations of the substantive provisions of anti-discrimination laws and regulations.