



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 23, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Tri-County National Bank
Charter Number 24376**

**421 Vandehei
Cheyenne, WY 82003**

**Comptroller of the Currency
Denver Field Office
1225 17th Street, Suite 450
Denver, CO 80202**

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.

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

An outstanding rating is appropriate given the bank's demonstrated ability to meet the credit needs of the community including loans to low- and moderate-income individuals and small businesses. Specifically,

- The bank's loan-to-deposit ratio is excellent given area competition and credit needs of the community.
- A substantial majority of loans by number and dollar volume are originated within the bank's assessment area.
- The geographic distribution of loans within the defined assessment area is reasonable.
- The bank has augmented its satisfactory lending performance by its participation in first-time homebuyers programs that provide residential real estate loan assistance to low- and moderate-income families and through originations of community development loans.

Tri-County National Bank is committed to serving the communities in which it operates and demonstrates outstanding lending performance.

DESCRIPTION OF INSTITUTION

Tri-County National Bank (TCNB) is a \$26 million institution located in Cheyenne, Wyoming. TCNB converted from a savings and loan to a national bank on September 30, 2002. TCNB is wholly owned by Platte Valley Financial Service Company, Inc. located in Scottsbluff, Nebraska, with assets of \$423MM as of December 31, 2004. The bank operates one full-service facility including an ATM that accepts deposits. The bank is located in north Cheyenne in a predominantly upper income neighborhood.

TCNB offers a variety of credit products including governmentally insured mortgage loans. The primary loan products by dollar volume are residential real estate secured loans at 38% of total loans, commercial real estate secured loans at 29%, and commercial loans at 12%. Net loans represents 77% of the bank's total assets. Our rating of the bank's CRA performance is based on an analysis of residential real estate loans and commercial loans including commercial loans secured by real estate. Our loan sample included loans originated after January 1, 2003, due to the bank's conversion to a national bank the prior quarter. Other loans offered by the bank include home equity lines of credit, agricultural loans, and consumer installment loans. The bank also originates VA and FHA loans.

The bank faces strong competition from community and large banks operating in the Cheyenne market. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area

We made one community contact in conjunction with this examination. We spoke with a member of the Cheyenne City Council. This individual indicated the primary credit needs of the community are affordable housing and community development. In addition this individual stated that TCNB is doing a good job of meeting the primary credit needs of the Cheyenne community given its resources and the competition it faces from other financial institutions.

TCNB received an "outstanding" rating at the last CRA examination dated May 14, 1998.

Refer to the bank's CRA Public File for more information.

DESCRIPTION OF LARAMIE COUNTY ASSESSMENT AREA

Management has designated Laramie County as its assessment area (AA). Laramie County represents the Cheyenne Metropolitan Statistical Area (MSA), which is the largest MSA in Wyoming by population. Communities located in the AA include: Albin, Burns, Pine Bluffs, and Cheyenne. Cheyenne is the state capital.

Based on 2000 U.S. Census Data, this MSA consists of 18 geographies or census tracts. There are no census tracts designated as low-income in the AA. There are six (33%) moderate-income tracts, nine (50%) middle-income tracts, and three (17%) upper income tracts. The Department of Housing and Urban Development's (HUD) 2003 MSA updated median family income for this MSA is \$51,700. Based on 2000 US Census Data, there are 21,825 families residing within the MSA of which 17% and 20% are deemed low and moderate income, respectively. Income designations are determined based on annual income as a percentage of the non-MSA median family income.

TCNB faces strong competition in the AA from branches of three regional banks, ten community banks, and nine credit unions.

Federal, State, and local government employment dominates the local economy, with Warren Air Force Base a significant player. Behind government activities, major economic sectors are other services and retail trade. In addition, tourism plays a supporting role in the local economy. The annual Cheyenne Frontier Days celebration hosts one of the largest rodeos in the nation. Also, major interstate highways and railroad lines pass through Cheyenne. Because government expenditures are not as cyclical as other sectors of the economy, the Cheyenne MSA is not as subject to severe economic fluctuations as other parts of the state. General economic conditions are considered good. Unemployment rests at 3.1% at year-end 2004.

The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is excellent given area competition and credit needs of the community.

The bank's average quarterly loan-to-deposit ratio since it converted to a national charter in September 2002 is 103%. The loan to deposit ratio of similarly situated banks over the same time period ranged between 53% and 103%. This bank ranked first among seven banks. Similarly situated banks are those of similar business lines and size operating within the assessment area.

Lending in the Assessment Area

The bank's pattern of lending within the AA is good.

A majority of loans by number and dollar volume are originated within the bank's assessment area. We sampled 20 residential real estate and 16 commercial loans originated since January 1, 2003. Of the 36 loans reviewed, 92% by number and 91% by dollar volume were originated within the bank's AA.

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

The bank's pattern of lending to low- and moderate-income borrowers and small businesses is excellent.

Residential Real Estate Lending

The bank's volume of residential real estate originations to low- and moderate-income families is excellent.

Within the Cheyenne MSA, area demographics indicate low- and moderate-income families comprise 17% and 20% of total families, respectively. By number, 20% of residential real estate originations were to moderate-income families with no loans made to low-income families. While the bank's pattern of lending to low income families does not reflect area demographics, the apparent mismatch is reasonable given area demographics. Of the population within the MSA, 17% are designated as low-income. Nine percent report income below the poverty level that would likely preclude them from qualifying for home mortgages. Consequently, of the total population only 8% would be low-income families that could reasonably qualify for mortgage loans. Further, of the homes within the price range that LMI families would likely qualify to purchase, 41% are rental units. Therefore the inventory of homes available for purchase is

restricted.

In addition to the above residential lending patterns, during our selected time period, the bank originated \$239M and \$318M in VA and FHA loans, respectively. TCNB has also originated loans totaling \$448M in partnership with the Wyoming Community Development Authority (WCDA). This organization provides affordable financing for first time homebuyers. These originations are in addition to the bank's traditional lending activities reviewed in our sample.

Overall, the bank's pattern of residential real estate originations is excellent considering their participation in VA, FHA, and the WCDA loan program.

Small Business Lending

The distribution of commercial loans originated in the Cheyenne MSA indicates good performance in lending to small businesses.

Of the 15 loans sampled, 80% by number and 49% by dollar volume were originated to small businesses. Small business is defined as having revenues of less than \$1 million. Area demographics indicate that 93% of the businesses for which revenue information was available are small business. The disparity between the dollar volume of loans originated to small businesses and area demographics is a result of one very large loan to a business with revenues over \$1 million. This loan is an outlier and if removed from the sample would result in 86% by number and 73% by dollar volume of loans sampled originated to small businesses. The revised analysis indicates that the bank's pattern of lending to small businesses reasonably reflects area demographics. Further, 53% by number and 34% by dollar volume were originated to very small businesses with revenues less than \$250,000.

Geographic Distribution of Loans

The geographic distribution of loans within the defined AA is satisfactory.

Residential Real Estate Lending

The bank's geographic distribution of residential real estate loans is satisfactory.

The AA includes only six moderate-income census tracts and no low-income tracts. Within this AA, 23% of all owner-occupied housing is in moderate-income geographies. Within our sample, loans originated in moderate-income tracts total only 10% by number and 5% by dollar volume. While the bank's performance does not reflect area demographics, it is not a significant concern given the bank's physical location in an upper-income geography. The bank is not in proximity to the moderate-income tracts within the AA, and operates only one office with no branch facilities. This natural barrier is coupled with significant competition by other financial institutions and mortgage lenders that are in closer proximity to the moderate-income census tracts. Despite these barriers, the bank's active participation in FHA, VA, and WCDA loan programs demonstrates the bank's willingness to reach moderate-income census tracts, as this is where most affordable housing is available.

Small Business Lending

The bank's pattern of lending to small businesses is good.

Within our sample of 15 commercial loans originated within the Cheyenne MSA, small business loans originated in moderate-income geographies total 40% by number and 30% by dollar volume. This compares favorably to area demographics that indicate that 41% of all small businesses in the AA are located in moderate-income census tracts.

Community Development Lending

TCNB has augmented its lending performance by originating loans that meet the regulatory definition of community development. During our review period TCNB originated three loans totaling \$577M to a local non-profit community development organization. This financial commitment represents nearly 25% of the bank's Tier 1 capital. This organization assists individuals that have suffered spousal abuse. All three loans were originated at favorable interest rates and terms.

Most battered women's centers do not exclude (or target) by income, but rather by circumstance. However, this Agency considers battered women's centers an example of a qualified investment that promotes community development in low- and moderate-income areas, or to low- and moderate-income individuals, even if the women who use the shelter only recently (or temporarily) qualify as having low- or moderate-income levels.

Response to Complaints

The bank has not received any CRA related complaints since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.