

PUBLIC DISCLOSURE

November 18, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**FARMERS STATE BANK
10-56-0380
542854**

**103 EAST 2ND STREET
P.O. BOX 458
PINE BLUFFS, WYOMING 82082-0458**

Federal Reserve Bank of Kansas City
925 Grand Boulevard
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 Community Reinvestment Act (CRA) performance of Farmers State Bank, Pine Bluffs, Wyoming, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of November 18, 1996. 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: *This institution is rated Outstanding.*

The bank is actively lending in its assessment area and is generally meeting the particular credit needs of its community. The loan-to-deposit ratio is more than reasonable given the size and financial condition of the bank, the credit needs of its assessment area, and the performance of comparably sized banks in the region. A substantial majority of the bank's loans were originated within the assessment area. The distribution of loans reflects excellent dispersion among individuals of differing income levels, including individuals in the low- to moderate-income groups. Credit needs of small businesses, farms, ranches, and feedlot operations are being met, and the bank has made arrangements to service larger credits if the need arises. The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

The bank's performance under the CRA was last evaluated at the August 7, 1995 examination, at which time it was considered

Satisfactory under the prior performance criteria.

The following table indicates the performance level of Farmers State Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Farmers State 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	The bank has not received any complaints about its CRA performance.		

DESCRIPTION OF INSTITUTION

The management philosophy and financial condition of the bank allow it to meet the various credit needs of its community. Although the bank operates no branch facilities or automatic teller machines, the bank is easily assessable from Interstate Highway 80, U.S. Highway 30, and State Highway 213. The bank primarily focuses on agricultural lending, which is a major credit need in the assessment area. It also provides installment and single-payment consumer loans and commercial loans to businesses. In its Report of Condition (Call Report) as of September 30, 1996, the bank reported total assets of \$10,990M.

The bank is located in the southeast corner of Wyoming, two miles west of the Nebraska border and ten miles north of the Colorado border. The bank's size has remained relatively constant due to heavy competition from banks in Kimball, Nebraska, 22 miles to the east of town, and Cheyenne, Wyoming, 37 miles to the west.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's assessment area is defined as tract 18 of Metropolitan Statistical Area (MSA) #1580 (MSA #1580 is also the Cheyenne Standard Metropolitan Statistical Area). The tract is located in the southeast corner of the state of Wyoming. Tract 18 includes the towns of Albin, Burns, Carpenter, Egbert, and Pine Bluffs, where the bank is located but does not include the city of Cheyenne. According to the 1990 census, the population in tract 18 was 2,737. With a median family income of \$25,263, the entire tract is considered moderate-income.

The assessment area's economy is based on agriculture, mainly cattle and pig production, lots for feeding cattle and sheep, and crop farming (principal crops include barley, corn, hay, millet, potatoes, sugar beets, sunflowers, and wheat). The agricultural sector of the economy has been adversely affected by recent declines in wheat prices, scattered hail damage, low cattle prices, and high feed costs. Besides the agricultural slump, local retailers face heavy competition from major retail outlets in Cheyenne. Their profitability has been further eroded by the current decline in the local economy. Major employers in the area include Pork Tech, the rural electric company, the school district, and Hi-Plains Coop, which owns several entities in the area, among them grain elevators, a truck stop, and related repair facilities.

In the last several years, housing growth in Pine Bluffs has averaged only about five new homes a year. A shortage of rental housing is especially acute with no single-family homes available for rent and a waiting list for available apartment units. Future housing growth is hindered by a shortage of reasonably priced land and by a lack of adequate infrastructure to support new housing development. A recent influx of retirees and families relocating from Cheyenne has contributed to the housing shortage.

Members of the community were interviewed during the examination, and their comments lent perspective to data gathered from other sources in forming conclusions about the assessment area and the bank's performance in meeting credit needs. Two community contacts were made during the examination. One contact included representatives from an organization that provides insurance services to the agricultural industry. The other contact was a local business owner.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is considered outstanding for the size and financial condition of the bank and the credit needs of the assessment area. As of the September 30, 1996 Call Report, the loan-to-deposit ratio was 62 percent. The ratio was also 62 percent when the last four quarters were averaged. As of the June 30, 1996 Call Report, the loan-to-deposit ratio was 64 percent, which compared favorably to the 59 percent average loan-to-deposit ratio among the nine Wyoming banks that had total assets of \$20MM or less. A further comparison with three area banks that had assets of \$20MM or less showed their average loan-to-deposit ratio was only 49 percent as of June 30, 1996.

During 1994 the bank increased its capital surplus account by \$500M, which resulted in a \$100M increase (from \$140M to \$240M) in the bank's legal lending limit. This increase is an example of the bank's continuing commitment to meet the credit needs of the community.

Lending in Assessment Area

To evaluate the bank's lending activity within its assessment area, a sample of loans by location was reviewed during the examination. Two types of loan products were contained in the sample, which consisted of 43 agricultural loans and 33 consumer loans.

Based on the sample, the amount of lending done within the assessment area is considered outstanding. The consumer loan sample showed that 91 percent of consumer loans (both by number of loans and by total dollars) were made in the bank's assessment area. The agricultural loan sample showed that 81 percent of agricultural loans, or 80 percent based on total dollars, were made in the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Given the demographics of the assessment area, the distribution of loans reflects an excellent penetration among persons of different income levels (particularly low- and moderate-income individuals) and businesses of different sizes. The charts below reflect data compiled from our loan sampling and the 1990 U.S. Census Bureau reports.

Consumer Loans	Bank Percentage From Loan Samples; # of Loans Percentage (\$ Volume of Loans Percentage)	Assessment Area Percentage, Data Compiled From 1990 U.S. Census Reports
<i>1. Low-income</i>	60 (54)	29
<i>2. Moderate-income</i>	23 (22)	23
<i>3. Middle-income</i>	17 (24)	24
<i>4. Upper-income</i>	0	24

- 1 Low Income - Less than 50 percent of median income.
- 2 Moderate Income - At least 50 percent and less than 80 percent of median income.
- 3 Middle Income - At least 80 percent and less than 120 percent of median income.
- 4 Upper Income - 120 percent or more of median income.

Agriculture Loans Annual Revenue/Income	Number of Notes to Business	Number of Notes to Borrowers	Total Notes
<i>0 - \$50M</i>	12	13	25
<i>\$50M+ - \$100M</i>	8	0	8
<i>\$100M+ - \$150M</i>	8	0	8
<i>\$150M+ - \$200M</i>	2	0	2
<i>\$200M+ -</i>	0	0	0

As a group, low-income individuals received proportionally more bank loans given the size of their population relative to the assessment area, while moderate-income borrowers received loans in approximate proportion to their population size. Overall, 83 percent of consumer loans sampled were to low- and moderate-income individuals, although these individuals comprised only 52 percent of the assessment area.

Of the agricultural loans sampled, all were to farms and ranches that had annual revenues of less than \$1MM. Management stated that due to the banks relatively small legal lending limit, few large agribusinesses apply to the bank for loans. However, larger credits could be accommodated by participating them with large

banks in Cheyenne, Wyoming, and Omaha, Nebraska.

Geographic Distribution of Loans

The geographic distribution of loans reflects an outstanding dispersion throughout the assessment area, which consists entirely of one moderate-income census tract. The loan sample showed an excellent dispersion of loans throughout the tract, with loans not only in the town of Pine Bluffs but also in the towns of Albin, Burns, and Carpenter.

Response to Complaints

No assessment was made of the bank's performance in responding to complaints. The bank has received no formal or informal complaints about its performance in meeting credit needs, nor did any community contacts express adverse comments about the bank.

Compliance with Antidiscrimination Laws and Regulations

The examination did not identify any violations of the antidiscrimination laws and regulations. Also, no patterns or practices were noted that resulted in discrimination against any protected class. These findings further support the bank's Outstanding CRA rating.