



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 24, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Rock Springs National Bank
Charter Number: 4755

200 Second Street
Rock Springs, WY 82901

Office of the Comptroller of the Currency

Salt Lake City Field Office
2795 East Cottonwood Parkway, Suite 390
Salt Lake City, UT 84121

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 Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support this rating include:

- Rock Springs National Bank's (RSNB) loan-to-deposit (LTD) ratio is reasonable in comparison to similarly situated banks in Wyoming.
- RSNB's distribution of loans represents reasonable penetration among individuals of different income levels and businesses of different sizes.
- A substantial majority of RSNB's primary loan products were originated within the bank's assessment area (AA).
- RSNB's responsiveness to community development needs and opportunities within its AA is adequate.

Scope of Examination

The evaluation covers the period from the date of the previous Community Reinvestment Act (CRA) examination, April 7, 2003, through August 24, 2009. We evaluated RSNB's CRA performance using Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The community development test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

In evaluating the bank's lending performance, we reviewed a sample of two of the bank's primary loan products, home mortgage loans and commercial loans, originated during the period of January 1, 2007 through August 24, 2009. The community development test covered the entire evaluation period. We reviewed CD loans, qualified investments, and CD services submitted by management for consideration to verify that they met the regulatory definition for community development. Data used for demographic comparisons was the most recent available.

Description of Institution

RSNB is a full-service financial institution located in Rock Springs, WY. The bank is wholly owned by RSNB Bancorp, a one-bank holding company also headquartered in Rock Springs. RSNB offers a full range of deposit and credit products and services including consumer, commercial, and real estate loans. Deposit products and services include free personal and business checking accounts, as well as free internet banking.

In addition to the main office, RSNB operates one full-service branch, a Wal-Mart store branch, and three automated teller machines (ATMs) in Rock Springs.

As of June 30, 2009, RSNB reported total assets of \$320 million, nets loans of \$156 million, total deposits of \$283 million, and equity capital of \$26 million. Net loans represented 49 percent of total assets. The bank’s loan portfolio composition is broken down as follows:

Table 1 - Loan Portfolio Summary by Loan Product June 30, 2009	
Loan Category	% of Outstanding Dollars
Home Mortgage Loans	35.6%
Commercial RE Loans	18.1%
Construction and Land Development Loans	16.3%
Commercial & Industrial Loans	16.2%
Agriculture Loans	8.1%
Consumer Loans	5.7%

Source: Consolidated Report of Condition for June 30, 2009

The bank does not have any legal or financial impediments that prevent it from meeting the credit needs of the community. RSNB received a “Satisfactory” rating at the last CRA examination on April 7, 2003. Please refer to the bank’s CRA public file for more information.

Description of Assessment Area

RSNB designated all of Sweetwater County as its AA, which meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income (LMI) areas. Sweetwater County is located in southwestern Wyoming and is comprised of twelve census tracts (CTs), of which seven are middle-income and five are upper-income. The seven middle-income CTs have been designated as distressed by the Federal Financial Institutions Examination Council (FFIEC). There are no LMI CTs located in the AA.

According to the 2000 U. S. Census, the total population of Sweetwater County is 37,613. Approximately 14 percent of AA families are low-income, 14 percent are moderate-income, 22 percent are middle-income, and 50 percent are upper-income. Seven percent of AA households are below poverty level. The 2008 HUD estimated median family income for the AA was \$60,100. Sweetwater County is heavily dependent on energy-related industries including mining and oil and gas production. The local economy has grown considerably during the evaluation period; however, the current condition of the national economy has created a slowdown. The U.S. Bureau of Labor Statistics reports the unemployment rate as of June 2009, was 6.1 percent in the AA, while the unemployment rate for the State of Wyoming was 5.9 percent. This is a sharp increase from June 2008 when unemployment rates were 2.4 percent and 3.2 percent respectively.

RSNB operates in a competitive market with several national and regional affiliate banks, as well as other local community banks. RSNB ranks first out of eight financial institutions in the AA with a 35.57 percent deposit market share of FDIC-insured deposits.

In conducting the assessment of this bank's performance, we contacted a local government agency during the evaluation. The contact communicated that there is a continuing need for affordable housing, as well as a need to upgrade infrastructure in some rural parts of the county. We also reviewed a recent local community contact interview in connection with another examination. The contact indicated that the primary credit needs in the area are housing and lending to small businesses. Both contacts stated that local banks are actively involved in the community and are responsive to credit needs.

Conclusions with Respect to Performance Tests

LENDING TEST

RSNB's performance under the lending test is satisfactory. The bank's LTD ratio and borrower distribution are reasonable. A substantial majority of RSNB's primary loans are originated within the AA.

Loan-to-Deposit Ratio

RSNB's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. The bank's quarterly LTD ratio averaged 54 percent since the previous CRA performance evaluation. The ratio ranged from a quarterly low of 46 percent to a quarterly high of 62 percent. To achieve a comparison with similarly situated banks in Wyoming, we identified four institutions of similar size and complexity operating in areas with similar local economies. These banks had average LTD ratios during the same time period of 56 percent. While RSNB's average LTD ratio is slightly less than those of the comparison banks, RSNB sold approximately \$44 million in mortgage loans to the secondary market during 2007, 2008, and 2009. If RSNB had retained these loans, the LTD ratio would have been higher.

Lending in Assessment Area

RSNB exceeds the standards for satisfactory performance with a substantial majority of loans originated within the AA. Our review focused on the bank's primary loan products, which include home purchase loans and commercial loans originated since January 1, 2007. Based on our loan sample, RSNB originated 88 percent of loans by number and 89 percent by dollar amount within the AA.

The following table details lending within the AA by number and dollar amount for the bank's primary loan products.

Table 2 - Lending in Sweetwater County										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase Loans	18	85.71%	3	14.29%	21	\$2,347	85.10%	\$411	14.90%	\$2,758
Commercial Loans	18	90.00%	2	10.00%	20	\$1,586	96.65%	\$55	3.35%	\$1,641
Totals	36	87.80%	5	12.20%	41	\$3,933	89.41%	\$466	10.59%	\$4,399

Source: Sample of loans used for CRA performance analysis.

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

The distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable. Although the percentage of loans the bank made to businesses with revenues less than \$1 million does not compare favorably to the percentage of businesses with revenues less than \$1 million in the AA, more weight was placed on the borrower distribution of home purchase loans since this was the bank's primary lending product by dollar volume of originations during the evaluation period.

Home Purchase Loans

The borrower distribution of home purchase loans is reasonable. Based on our sample, the bank's lending was near the area demographics for moderate-income families, but was less than area demographics for low-income borrowers. The significant barriers banks face in making home loans to low-income individuals helps to mitigate this negative comparison.

The following table shows the distribution of home purchase loans among borrowers of different income level as compared to the percent of families in each income category.

Table 3 - Borrower Distribution of Home Purchase Loans in Sweetwater County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	13.61%	0.00%	14.47%	11.11%	22.42%	33.33%	49.51%	55.56%

Source: Sample of loans used for CRA performance analysis and HUD-updated 2000 U.S. Census data.

Commercial Loans

The distribution of loans originated to businesses with revenues less than \$1 million is somewhat lower by both the number of loans and dollar amount of loans as compared to area demographic data. The percentage of businesses within the AA that generate revenues less than \$1 million is 63 percent based on independent data provided by

Dunn and Bradstreet. RSNB originated 44 percent by number and 32 percent by dollar amount of commercial loans to businesses with revenues less than \$1 million. As noted in the description of the AA, the local economy is heavily dependent on mining and oil and gas production, as well as the companies that support these industries. The level of gross revenues generated by these businesses went up substantially as the price for energy-related commodities increased. In addition, revenues are unknown for 33 percent of the businesses in the AA, which reduces the reliability of analysis.

The following table shows the distribution of commercial loans among businesses of different sizes in this AA.

Table 4 - Borrower Distribution of Loans to Businesses in Sweetwater County				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	62.84%	4.12%	33.04%	100.00%
Number (#) of loans	8	10	0	18
% of Bank Loans in AA by #	44.44%	55.56%	0.00%	100.00%
\$ of loans	\$512,230	\$1,073,550	\$0	\$1,585,780
% of Bank Loans in AA by \$	32.30%	67.70%	0.00%	100.00%

Source: Sample of loans used for CRA performance analysis and Dunn and Bradstreet data.

Geographic Distribution of Loans

RSNB's AA contains insufficient diversity to make a geographic distribution analysis meaningful. The AA of Sweetwater County consists of twelve CTs. Seven of these CTs are middle-income and five are upper-income. There are no LMI CTs in the AA.

Responses to Complaints

RSNB did not receive any complaints during the evaluation period in regards to its CRA performance.

COMMUNITY DEVELOPMENT TEST

RSNB's performance under the community development test is satisfactory. The bank's level of CD activities demonstrates adequate responsiveness to community development needs, considering both the needs and opportunities within the AA. The bank's CD loans, qualified investments, and CD services addressed identified needs.

Number and Amount of Community Development Loans

RSNB's volume of CD lending exhibits excellent responsiveness to the needs of LMI individuals in the AA. During the evaluation period, the bank originated 139 WCDA and USDA mortgage loans totaling approximately \$9.6 million to LMI families. This

represents a high level of CD lending for a bank of this size and capacity given the needs and opportunities in the AA.

Number and Amount of Qualified Investments

RSNB's qualified investments, grants and donations demonstrate an adequate responsiveness to the needs of the AA. The largest qualified investment made by the bank during the evaluation period was the purchase of a \$473,000 Sweetwater County School District bond. A significant portion of schools in the district are located in CTs that have been designated by the FFIEC as distressed nonmetropolitan middle-income geographies. Support for education is a way to help stabilize and revitalize distressed or underserved CTs. In addition, the bank made nearly \$16,000 in charitable grants and donations to six community organizations operating within the AA. These organizations provide services that either: 1) facilitate affordable housing options for LMI families; 2) provide community services targeted to LMI individuals; or 3) promote economic development through support of small businesses or revitalization of distressed CTs within the AA.

Extent to Which the Bank Provides Community Development Services

RSNB representatives provided a reasonable level of CD services to organizations serving the AA. Bank employees are involved in numerous volunteer services and activities, several of which met the regulatory definition for community development. Bank associates, including executive management, provided nearly 600 hours of technical expertise and leadership to organizations that provide assistance to LMI individuals or that promote the revitalization of the distressed CT of downtown Rock Springs.

We also evaluated the bank's retail banking services. The distribution of RSNB's branches and service delivery systems is satisfactory and accessible to individuals of different income levels in the AA. The bank operates three full service branches offering various loan and deposit products and three ATMs.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.