



PUBLIC DISCLOSURE

June 01, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Big Horn Federal Savings Bank
Charter Number 703790

33 N 6th St
Greybull, WY 82426-2029

Office of the Comptroller of the Currency

101 Stewart Street
Suite 1010
Seattle, WA 98101

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

Big Horn Federal Savings Bank's (BHFSB or Bank) overall Community Reinvestment Act (CRA) performance is rated Outstanding based on its lending within the Assessment Area (AA). The qualifying investments that it owns and the community development (CD) services performed by representatives of BHFSB within the AA also support the Outstanding rating. Specific factors contributing the Outstanding rating include:

- BHFSB's loan-to-deposit (LTD) ratio is reasonable in comparison to other area banks given its size, deposit market share, financial condition, and AA.
- A substantial majority of BHFSB's loan originations during the evaluation period are within the Bank's AA.
- The distribution of loans among borrowers of different incomes exceeds the standard for satisfactory performance.
- The geographic distribution of loans within BHFSB's AA exceeds the standards for satisfactory performance.
- The Bank has purchased or retained municipal bonds in the AA that meet the criteria for CD during the evaluation period.
- Representatives of BHFSB have performed services in the AA that meet the criteria for CD during the evaluation period.
- The Bank has received no consumer complaints regarding its CRA performance during the evaluation period.

SCOPE OF EXAMINATION

We performed a full-scope CRA examination of BHFSB. We evaluated BHFSB's performance using small bank CRA examination procedures, which assess the Bank's performance under the lending test. BHFSB's primary lending products are home loans and consumer loans, which together total 81 percent by number and 55 percent by dollar volume of all loans originated during the evaluation period. The evaluation period for the examination was October 29, 2010 to May 31, 2016. BHFSB's lending strategy has not changed since the prior CRA examination dated October 28, 2010. BHFSB is not a Home Mortgage Disclosure Act (HMDA) data reporting institution; therefore, HMDA data regarding home loan originations could not be used at this examination. To evaluate BHFSB's home lending performance, we selected a sample of loans originated during the loan sampling period of January 1, 2014 through May 31, 2016. To evaluate the Bank's performance in consumer lending, we selected a sample of consumer loans that were also originated during this loan sampling period.

DESCRIPTION OF INSTITUTION

BHFSB is a federally chartered mutual savings bank and is not owned by a holding company. BHFSB's main office is located in Greybull, Wyoming, with five branch locations in the nearby Wyoming cities of Powell, Lovell, Thermopolis, Cody, and Worland. BHFSB also provides six non-bank location ATMs in the cities in which it has branches, as well as one ATM in each of the nearby cities of Burlington, Wyoming and Ten Sleep, Wyoming. With the exception of the Thermopolis branch and ATM, all of BHFSB's branch and ATM locations are located in either moderate-income census tracts (CTs) or in CTs federally designated as Underserved Middle-Income Nonmetropolitan CTs. Each branch offers the same services, and lobby hours are the same for all branches. Some branches offer extended hours for drive-up banking services to accommodate customers. BHFSB did not open any new branches or close any branches during the evaluation period.

BHFSB's business strategy primarily focuses on meeting the need for home and consumer loans of persons living in its AA. The number of home and consumer loans that the Bank originated during the evaluation period is substantially larger than the number of commercial and agriculture loans. BHFSB's business strategy includes originating smaller dollar loans in order to make credit more readily available to low- and moderate-income residents living in the AA.

BHFSB's retail deposit services include checking accounts, savings programs, money market deposit accounts, and certificates of deposit. In addition to telephone banking, BHFSB offers internet-based services, including online banking, electronic bill pay, mobile banking, and remote deposit capture for retail customers. Retail loans offered by BHFSB include consumer, personal, home (including Veteran's Affairs loans), home equity, home improvement, and construction loans. BHFSB sells some home loans that it originates on the secondary market. Other loan types include commercial loans, commercial real estate loans, and agriculture loans.

As of March 31, 2016, BHFSB reported \$233 million in total assets. The Bank's loan portfolio was \$94 million, which represents 40 percent of total assets. As of March 31, 2016, the loan portfolio was comprised of 30 percent one-to-four family residential real estate loans by dollar amount, 21 percent commercial real estate loans, 14 percent loans to individuals, 16 percent agriculture loans, and 19 percent commercial and industrial loans.

There are no financial or legal impediments constraining BHFSB's ability to meet the credit needs of its AA. BHFSB received an Outstanding rating at the prior CRA examination performed by the Office of Thrift Supervision (OTS) dated October 28, 2010.

DESCRIPTION OF ASSESSMENT AREA

BHFSB's AA consists of four contiguous counties in the state of Wyoming: Big Horn, Park, Washakie, and Hot Springs. The AA includes the counties in their entirety and all 13 CTs in them. Eight of the 13 CTs in BHFSB's AA are Underserved Middle-Income Nonmetropolitan CTs, three are moderate-income CTs, and two are middle-income CTs. The AA has no low-income CTs and no upper-income CTs. The Bank's AA meets the requirement of the CRA regulation, and does not arbitrarily exclude any low- or moderate-income CTs.

The 2010 US Census data indicates the population of the AA is 53,218, 44 percent of families in BHFSB's AA are low- or moderate-income, nine percent of households have incomes below the poverty level, and the median price for a house in the AA is \$166,347. Data from the US Department of Labor's Bureau of Labor Statistics indicate the average unemployment rate in the AA from 2010 to 2015 was 5.06 percent. The US Department of Housing and Urban Development's (HUD) Adjusted Median Family Income for 2015 was \$70,700.

According to the April 2016 state economic report issued by Moody's Analytics, the primary economic drivers for the state of Wyoming are energy and resources, defense, and agriculture. Energy and resources and agriculture are two of the primary economic drivers for BHFSB's AA, along with related industries. The Moody's Analytics report also indicates that decreases in the price of oil have negatively impacted the area's economy and have resulted in lower levels of employment and business economic activity.

The June 30, 2015 FDIC Deposit Market Share Report identifies 10 financial institutions operating 33 branches within BHFSB's AA, creating a competitive environment for deposits. BHFSB operates six branches in its AA, and had a 12.3 percent deposit market share as of June 30, 2015. Large nationwide financial institutions operating in the area include Wells Fargo Bank and U.S. Bank. Large regional banks operating in the area include Bank of the West, Glacier Bank, and ANB Bank. Other competing institutions in the AA also include banks with deposits under \$1 billion that are headquartered in Wyoming and the bordering state of Montana.

In conjunction with this CRA examination, we contacted a representative of an economic development organization whose activities encompass all of Wyoming, including BHFSB's AA. We conducted this interview to learn about credit opportunities and how well financial institutions are addressing credit and development needs. The person we interviewed represented an organization that is primarily devoted to providing affordable housing to low- and moderate-income persons and providing financial education to first-time homebuyers. The representative indicated that their organization's experience with lending institutions in the area has been positive, and that institutions are involved in meeting affordable housing needs of low- and moderate-income persons. The community contact also indicated that despite the positive overall performance of lending institutions, the need for affordable housing for low- and

moderate-income individuals remains significant and that additional opportunities exist for more financial institutions to become involved.

Demographic Information for Full Scope Area: Big Horn Federal Savings Bank Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	0.00	23.08	76.92	0.00	0.00
Population by Geography	53,218	0.00	20.62	79.38	0.00	0.00
Owner-Occupied Housing by Geography	15,408	0.00	20.53	79.47	0.00	0.00
Business by Geography	4,925	0.00	19.25	80.75	0.00	0.00
Farms by Geography	535	0.00	13.08	86.92	0.00	0.00
Family Distribution by Income Level	14,557	21.52	22.21	25.03	31.24	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,365	0.00	27.32	72.68	0.00	0.00
Median Family Income		67,040	Median Housing Value			166,347
HUD Adjusted Median Family Income for 2015		70,700	Average Unemployment Rate (Bureau of Labor Statistics)			5.06%
Households Below Poverty Level		9%				

* The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census, U.S. Department of Labor, and 2015 HUD updated MFI

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST – Outstanding

BHFSB’s performance under the Lending Test is outstanding. We considered performance under each component of the Lending Test to be at least reasonable, and in most cases more than reasonable, for the Bank’s AA. The following sections present quantitative and qualitative data used in evaluating Lending Test performance.

Loan-to-Deposit Ratio

BHFSB’s average quarterly LTD ratio is reasonable given its size, mutual charter, customer base, location, and the nature of competing lending institutions in the AA. For the 25 quarters since the LTD ratio was calculated at the previous CRA evaluation, BHFSB’s average quarterly LTD ratio was 50.2 percent. The LTD ratio of a similarly situated institution for the same period was 54.0 percent. BHFSB’s LTD ratio is reasonably comparable to the similarly situated institution’s LTD ratio. BHFSB’s LTD ratio is understated, as it does not include \$93.7 million in loans that BHFSB originated and sold on the secondary market during this period.

BHFSB has a relatively large deposit market share (12.3 percent) within its AA for an institution of its asset size. BHFSB’s business strategy of focusing on originating home and consumer loans, and making these loans in small dollar amounts that are

affordable to a greater number of borrowers in the AA may contribute to the Bank's LTD ratio. Income demographics of the AA may also restrict loan demand by area residents.

Lending in Assessment Area

During the evaluation period, a substantial majority of BHFSB's loans were originated inside the AA. Of the 40 loans in our sample, totaling \$4.0 million, 38 (95.0 percent by number and 83.3 percent by dollar amount) were originated within the AA. BHFSB's lending inside its AA exceeds expectations for satisfactory performance.

Lending In The Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Residential	18	90.0%	2	10.0%	20	\$3,106	82.1%	\$ 675	17.9%	\$3,781
Consumer	20	100.0%	0	0.0%	20	\$ 252	100.0%	\$ 0	0.0%	\$ 252
Combined	38	95.0%	2	5.0%	40	\$3,358	83.3%	\$ 675	16.7%	\$4,033

Source: Sample of Bank Loan Records

Lending to Borrowers of Different Incomes

BHFSB's lending to borrowers of different income levels represents excellent distribution within the AA, and exceeds expectations for satisfactory performance.

Residential Real Estate Loans. We sampled 20 real estate mortgage loans originated in the Bank's AA during the loan sampling period of January 1, 2014 to May 31, 2016. The table below reflects the percentage of residential real estate loans that BHFSB originated to low- and moderate-income borrowers is below the demographic for the AA. However, the level of BHFSB's residential real estate lending to low- and moderate-income borrowers is comparable to that of other residential real estate lenders in the AA. Analysis of BHFSB's distribution of residential real estate loans to borrowers of different incomes compared to its HMDA-reporting competitors demonstrates that BHFSB's residential real estate lending to low- and moderate-income borrowers in its AA represents excellent distribution given BHFSB's asset size, and income demographics of geographies within its AA.

Borrower Distribution of Residential Real Estate Loans				
Borrower Income Level	Demographics % Families*	BHFSB AA Lending**		2014 HMDA***
		# of Loans	% of the #	Aggregate % of the #
Low	21.52	1	5.00	7.73
Moderate	22.21	4	20.00	21.29
Low & Moderate	43.73	5	25.00	29.02
Middle	25.03	3	15.00	22.43
Upper	31.24	12	60.00	30.02
Income Not Available	0	0	0	18.53
Total	100.00	20	100.00	100.00

* Source: 2010 U.S. Census/Census data

** Source: Sample of Bank Loan Records

***Source: 2014 Aggregate HMDA Data

Because BHFSB is not a HMDA-reporting institution, BHFSB's residential real estate loans are not included in aggregate HMDA reports that show originations of these loans by institutions in the AA that are HMDA reporters. To better understand the context of BHFSB's residential real estate lending activity to low- and moderate-income borrowers in its AA, we obtained Bank records that noted, among other things, the geographic location and the number and dollar amount of home loans to low- and moderate-income borrowers that BHFSB originated in 2014. We compared the information from BHFSB's residential real estate loan originations to low- and moderate-income borrowers to the location, number, and dollar amount of residential real estate loans to these same populations originated by HMDA-reporting lenders in BHFSB's AA in 2014, the most recent data available. BHFSB records reflect that the Bank originated 147 residential real estate loans to borrowers of all income levels in its AA in 2014. Twenty-four of these loans were made to low-income borrowers (16.3 percent), and 31 of these loans were made to moderate-income borrowers (21.1 percent). We compared these totals with residential real estate loans originated by HMDA-reporting lenders listed on the 2014 home loan market share report that is based on 2014 HMDA data. The 2014 market share report shows that HMDA-reporting institutions originated a total of 101 home loans to low-income borrowers in BHFSB's AA, and the average loan size was \$96 thousand. The highest-ranked lender on the market share report originated 22 home loans to low-income borrowers in the AA in 2014. BHFSB's 24 home loan originations to low-income borrowers in its AA exceeds this number.

Additionally, the size of the average residential real estate loan to low-income borrowers originated by BHFSB in its AA in 2014 was approximately \$52 thousand. The average size of the 101 home loans to low-income borrowers in the AA originated by HMDA-reporting lenders in 2014 was \$96 thousand. BHFSB's significantly lower average residential real estate loan size for low-income borrowers demonstrates BHFSB's willingness to offer mortgage loans in smaller dollar amounts in order to make home mortgage credit more readily available to low-income borrowers in its AA.

We performed a similar comparison of BHFSB’s residential real estate loan originations to moderate-income borrowers in the AA to the location, number, and dollar amount of such loans originated to moderate-income borrowers by HMDA-reporting institutions on the 2014 HMDA market share report. BHFSB’s records show that it originated 31 residential real estate loans to moderate-income borrowers living in the AA in 2014. This number would rank BHFSB as the originator with the third-highest number of residential real estate loans originated to moderate-income borrowers in the AA in 2014. The size of the average home loan originated by BHFSB to moderate-income borrowers in its AA in 2014 was approximately \$98 thousand. The average size of all residential real estate loans shown on the market share report to moderate-income borrowers in the AA by HMDA-reporting institutions in 2014 was significantly higher, at \$124 thousand. This indicates that BHFSB is also making mortgage credit more readily available to moderate-income borrowers in its AA by offering smaller loan sizes that are more affordable for these borrowers.

Of the 147 residential real estate loans that BHFSB originated in 2014, 137 (93.2 percent) were to borrowers in either moderate-income CTs or Underserved Middle-Income Nonmetropolitan CTs.

Consumer Loans. Consumer loans constitute a majority (by number) of the loans that BHFSB originated during the evaluation period. We sampled 20 consumer loans and evaluated the distribution of BHFSB’s consumer loans among borrowers of different income levels in its AA. The results are shown in the table above. Sixty-five percent of the consumer loans sampled were made to borrowers with low- or moderate-incomes. This is a sizeable majority of the consumer loans originated, and exceeds the percentage of low- and moderate-income households (47.1%) in the Bank’s AA. This demonstrates BHFSB’s commitment to meeting the consumer credit needs of low- and moderate-income persons in its AA.

Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households*	% of Number of Loans**	% of AA Households*	% of Number of Loans**	% of AA Households*	% of Number of Loans**	% of AA Households*	% of Number of Loans**
Consumer	26.50	35.00	20.63	30.00	19.49	15.00	33.38	20.00

* Source: 2010 U.S. Census/Census data

** Source: Sample of Bank Loan Records

Geographic Distribution of Loans

BHFSB’s geographic distribution of residential real estate loans exceeds the standard for satisfactory performance and represents excellent geographic distribution. As shown in the table below, 35 percent of the residential real estate loans that we sampled were originated in moderate-income CTs. According to 2010 Census data, 20.5 percent of housing units in moderate-income CTs in BHFSB’s AA are owner-

occupied. The percentage of residential real estate loans in our sample that BHFSB originated in moderate-income CTs in the AA significantly exceeds the percentage of owner-occupied housing units in these CTs. Additionally, 19 of the 20 residential real estate loans in the sample were located in either moderate-income CTs or CTs federally designated as Underserved Middle-Income Nonmetropolitan CTs. BHFSB's AA does not contain any low-income or upper-income CTs.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing*	% of Number of Loans**	% of AA Owner Occupied Housing*	% of Number of Loans**	% of AA Owner Occupied Housing*	% of Number of Loans**	% of AA Owner Occupied Housing*	% of Number of Loans**
Residential	No Low-Income Census Tracts in AA		20.5%	35.0%	79.5%	65.0%	No Upper-Income Census Tracts in AA	

* Source: 2010 U.S. Census/Census data

** Source: Sample of Bank Loan Records

BHFSB's geographic distribution of consumer loans is reasonable and meets the standard for satisfactory performance. We sampled 20 consumer loans and evaluated the distribution of loans to borrowers in moderate- and middle-income CTs. BHFSB's AA does not contain any low- or upper-income CTs. As shown in the table above, although the geographic distribution of the consumer loans we sampled to borrowers in moderate-income CTs is below the demographics for the AA, the distribution is reasonably comparable. Additionally, 18 of the 20 consumer loans that we sampled were originated to borrowers living in either moderate-income CTs or in CTs that have been federally designated as Underserved Middle-Income Nonmetropolitan CTs.

Geographic Distribution of Consumer Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households*	% of Number of Loans**	% of AA Households*	% of Number of Loans**	% of AA Households*	% of Number of Loans**	% of AA Households*	% of Number of Loans**
Consumer	No Low-Income Census Tracts in AA		21.9%	15.0%	78.1%	85.0%	No Upper-Income Census Tracts in AA	

* Source: 2010 U.S. Census/Census data

** Source: Sample of Bank Loan Records

Qualified Investments and CD Services

BHFSB purchased a municipal bond related to community infrastructure in the AA that meets the criteria for CD during the evaluation period in the amount of \$150,000. The bond was issued by Big Horn County, Wyoming, one of the counties in BHFSB's AA. Additionally, BHFSB purchased eight other municipal bonds issued by the city of

Greybull, Wyoming, the city in which BHFSB is headquartered, in 2010 totaling \$395,000 that meet the criteria for CD. Although the bonds were purchased during the previous CRA evaluation period, the Bank continued to hold these bonds as assets during the current evaluation period. The city of Greybull, Wyoming is in Big Horn County, Wyoming and all of the CTs in Big Horn County have been either moderate-income CTs or federally designated as Underserved Middle-Income Nonmetropolitan CTs every year between 2010 and 2015.

During the evaluation period, BHFSB employees donated a total of 449 hours of qualifying service to organizations within the AA that have an activity that qualifies as CD as their primary purpose. Examples of BHFSB's CD services include officers/employees serving as Board members on four local economic development associations, serving as a Board member and treasurer of a local medical foundation, serving as treasurer of a local fire district, and providing financial education for local high school students.

Responses to Complaints

There have been no complaints relating to BHFSB's CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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