

FEDERAL RESERVE SYSTEM

ANB Bank
Denver, Colorado

Order Approving the Merger of Banks and the Establishment of Branches

ANB Bank (“ANB”), Denver, Colorado,¹ a state member bank, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act² (“Bank Merger Act”) to merge with Capital West Bank (“CW Bank”), Laramie, Wyoming.³ In addition, ANB has applied under section 9 of the Federal Reserve Act (“FRA”)⁴ to establish and operate branches at the locations of CW Bank.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board’s Rules of Procedure.⁵ The time for filing comments has expired. As required by the Bank Merger Act, a report on the competitive effects of the merger

¹ ANB is a subsidiary of Sturm Financial Group, Inc. (“SFG”), a bank holding company, also of Denver, Colorado.

² 12 U.S.C. § 1828(c).

³ CW Bank is a subsidiary of First Capital West Bankshares, Inc. (“CW Bankshares”), a bank holding company, also of Laramie, Wyoming.

⁴ 12 U.S.C. § 321. These branches are listed in the appendix.

⁵ 12 CFR 262.3(b).

was requested from the United States Attorney General. The Board has considered the application and all comments received in light of the factors set forth in the Bank Merger Act and the FRA.

ANB, with total assets of approximately \$2.1 billion, operates in Colorado, Wyoming, Kansas, and Missouri. ANB is the 17th largest insured depository institution in Colorado, controlling deposits of approximately \$1.2 billion, which represent 1.1 percent of the total amount of deposits in insured depository institutions in the state (“state deposits”).⁶ ANB is the 11th largest insured depository institution in Wyoming, controlling deposits of approximately \$359.8 million, which represent 2.7 percent of the total amount of state deposits.

CW Bank, with total assets of approximately \$162 million, operates in Colorado and Wyoming. CW Bank is the 137th largest insured depository institution in Colorado, controlling deposits of approximately \$18.6 million, which represent less than 1 percent of the total amount of state deposits. CW Bank is the 25th largest insured depository institution in Wyoming, controlling deposits of approximately \$122.8 million, which represent less than 1 percent of the total amount of state deposits.

⁶ Asset data are as of June 30, 2014. Deposit data and state rankings are as of June 30, 2013. In this context, insured depository institutions include insured commercial banks, savings banks, and savings associations.

On consummation of the proposal, ANB would remain the 17th largest insured depository institution in Colorado, controlling deposits of approximately \$1.2 billion, representing 1.1 percent of the total amount of state deposits. ANB would become the eighth largest insured depository institution in Wyoming, controlling deposits of approximately \$482.6 million, representing 3.6 percent of the total amount of state deposits.

Interstate Analysis

Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (“Riegle-Neal Act”) authorizes a bank to merge with a bank located in another state under certain conditions unless, before June 1, 1997, the home state of one of the banks involved in the transaction adopted a law expressly prohibiting merger transactions involving out-of-state banks.⁷ For purposes of the Riegle-Neal Act, the home state of ANB is Colorado, and the home state of CW Bank is Wyoming.⁸ ANB has provided a copy of its Bank Merger Act application to the relevant state agency and has complied with state law. The proposal also complies with all other requirements of the Riegle-Neal Act.⁹

⁷ 12 U.S.C. § 1831u.

⁸ See 12 U.S.C. § 1831u(a)(4) and (g)(4).

⁹ See 12 U.S.C. § 1831u. As required by the Riegle-Neal Act, ANB and CW Bank are both at least adequately capitalized (as defined in 12 U.S.C. § 1831o(b)(1)(B)), and the resulting bank would be well capitalized and well managed on consummation of the transaction. The Colorado Division of Banking has indicated

Accordingly, the Riegle-Neal Act does not prohibit this interstate branch acquisition.

Competitive Considerations

The Bank Merger Act prohibits the Board from approving an application if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking.¹⁰ The Bank Merger Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant market, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effects of the transaction in meeting the convenience and needs of communities to be served.¹¹

that this transaction would comply with applicable Colorado law, and the Wyoming Division of Banking has indicated that this transaction would comply with applicable Wyoming law. See WYO. STAT. 13-2-804, 805. On consummation of the proposal, ANB would control less than 10 percent of the total amount of deposits in insured depository institutions in the United States and less than 30 percent of the total amount of deposits in insured depository institutions in Wyoming. See 12 U.S.C. § 1831u(b)(2)(A) and (B)(ii). All other requirements of section 102 of the Riegle-Neal Act would also be met on consummation of the proposal.

¹⁰ 12 U.S.C. § 1828(c)(5)(A).

¹¹ 12 U.S.C. § 1828(c)(5)(B).

ANB and CW Bank compete directly in the Wyoming banking markets of Cheyenne and Laramie.¹² The Board has reviewed the competitive effects of the proposal in those banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking markets, the relative share of the total deposits in insured depository institutions in the market (“market deposits”) that ANB would control,¹³ the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”),¹⁴ and other characteristics of the markets.

¹² The Cheyenne banking market is defined as the Cheyenne Ranally Metropolitan Area (“RMA”) and the non-RMA portion of Laramie County, both in Wyoming. The Laramie banking market is defined as Albany County, Wyoming.

¹³ Deposit and market share data are based on data reported by insured depository institutions in the Federal Deposit Insurance Corporation’s summary of deposits data as of June 30, 2013, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 53 (1991).

¹⁴ Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of

In the Cheyenne banking market, consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines. On consummation of the proposal, the Cheyenne banking market would remain moderately concentrated, as measured by the HHI, and numerous competitors would remain in the banking market.¹⁵

In the Laramie banking market, ANB is the third largest insured depository institution, controlling deposits of approximately \$45.3 million, which represent approximately 8.6 percent of market deposits. CW Bank is the second largest insured depository institution in the market, controlling deposits of approximately \$73.3 million, which represent approximately 13.9 percent of

other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission have issued revised Horizontal Merger Guidelines, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

¹⁵ In the Cheyenne banking market, ANB operates the second largest insured depository institution, controlling deposits of approximately \$185.6 million, which represent 13.6 percent of market deposits. CW Bank operates the ninth largest insured depository institution, controlling deposits of approximately \$49.5 million, which represent 3.6 percent of market deposits. After consummation, ANB would remain the second largest insured depository institution in the market, controlling deposits of approximately \$235.2 million, which represent 17.2 percent of market deposits. The HHI would increase by 99 points, from 1082 to 1181. On consummation of the proposal, a total of 19 competitors would remain in the market.

market deposits. On consummation of the proposal, ANB would become the second largest depository institution in the Laramie banking market, controlling deposits of approximately \$118.6 million. When the initial competitive screening data are used, the combined entity would represent 22.4 percent of market deposits and the HHI would increase by 238 points, from 3086 to 3324.

The Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the market.¹⁶ In particular, the Board considered the competitive influence of three active community credit unions in the Laramie banking market. All three credit unions offer a wide variety of products, operate at least one street-level branch, and have either open membership or broad membership criteria that include most of the residents in the Laramie banking market.¹⁷ These credit unions control approximately \$283.8 million in market deposits, which represent approximately 21 percent of market deposits on a

¹⁶ The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in and resulting level of concentration in a banking market. See NationsBank Corp., 84 Federal Reserve Bulletin 129 (1998).

¹⁷ The Board previously has considered the competitiveness of certain active credit unions as a mitigating factor. See, e.g., River Valley Bancorp, FRB Order No. 2012-10 (October 17, 2012); The Hancock Holding Company, 97 Federal Reserve Bulletin 49 (2nd Quar. 2011); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007).

50 percent weighted basis. With these deposits weighted at 50 percent, after consummation ANB would control approximately 17.7 percent of market deposits, and the HHI would increase by 147 points, from 2186 to 2333. Furthermore, on consummation a total of 10 competitors would continue to operate in the market, including the three credit unions and the market's largest competitor, First Interstate Bank, with approximately 40.7 percent of market deposits.¹⁸ The Board has concluded that these factors mitigate the potential effects of the proposal.

The DOJ conducted a review of the competitive effects of the proposal and has advised the Board that consummation would not be likely to have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the Cheyenne or Laramie banking markets, or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

¹⁸ This percentage reflects the inclusion of the three credit unions on a 50 percent weighted basis.

Financial, Managerial, and Other Supervisory Considerations

In reviewing this proposal under the Bank Merger Act, the Board has considered the financial and managerial resources and future prospects of the institutions involved. In its evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the pro forma organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important.

ANB is well capitalized and would remain so on consummation of the proposal. CW Bank would be merged into ANB.¹⁹ The asset quality, earnings,

¹⁹ Simultaneously with the bank merger, SFG and CW Bankshares would merge. The transaction is structured as a cash purchase of shares, which SFG will fund from cash on hand. With respect to the merger of the bank holding companies, SFG requested a waiver of the application requirement under section 3 of the Bank

and liquidity of ANB are consistent with approval, and ANB appears to have adequate resources to absorb the costs of the proposal and to complete the integration of ANB's and CW Bank's operations. Future prospects are considered consistent with approval. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of ANB and has reviewed the examination records of ANB, including assessments of its management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and ANB's record of compliance with applicable banking and anti-money-laundering laws. The Board also has considered ANB's plans for implementing the proposal. ANB is considered to be well managed, and its board of directors and senior management have substantial banking experience. ANB would operate the acquired branches of CW Bank under its existing policies and procedures, which are considered to be satisfactory. In addition, ANB's management has the experience and resources that should allow the combined organization to operate in a safe and sound manner.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future

Holding Company Act of 1956, as amended, pursuant to section 225.12(d)(2) of the Board's Regulation Y. The Board has approved the waiver request.

prospects of ANB, as well as the records of effectiveness of ANB and CW Bank in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under the Bank Merger Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).²⁰ The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank merger proposals.

The Board has considered all the facts of record, including reports of examination of the CRA performance of ANB and CW Bank, information provided by ANB, and confidential supervisory information.

²⁰ 12 U.S.C. § 2901 et seq.

A. Record of Performance under the CRA

As provided in the CRA, the Board evaluates an institution's performance based on the CRA evaluation completed by that institution's primary regulator.²¹ The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.²² An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, onsite evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

CRA Performance of ANB

ANB received an overall rating of "satisfactory" at its most recent CRA performance examination by the Federal Reserve Bank of Kansas City ("Reserve Bank"), in January 2013 ("ANB Evaluation"). ANB received "low satisfactory" ratings on the Lending Test and the Service Test, and an "outstanding" rating on the Investment Test.²³

²¹ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

²² 12 U.S.C. § 2906.

²³ The evaluation period was from July 1, 2010, through December 31, 2011. The ANB Evaluation was conducted using Large Institution CRA Examination Procedures. The evaluation included full-scope reviews of the Denver-Aurora-

In evaluating the Lending Test, examiners found that the bank's lending activities showed adequate responsiveness to the credit needs in its assessment areas, because the bank originated a high percentage of loans inside its assessment areas. Examiners noted that geographic and borrower distribution reflected a good penetration in its assessment areas and an adequate penetration among borrowers of different income levels and businesses and farms of different revenue sizes. Examiners noted that ANB's level of community development lending was adequate, with a total of seven loans originated, totaling approximately \$2.4 million.

In evaluating the Investment Test, examiners believed that the amount of investments and donations made in Colorado was excellent and the amount made in Wyoming was adequate. In particular, examiners found that ANB was instrumental in providing investment funds to revitalize and stabilize moderate-income tracts located in downtown Grand Junction, Colorado.

Broomfield, Colorado Metropolitan Statistical Area ("MSA"); the Colorado Springs, Colorado MSA; and the Cheyenne, Wyoming MSA. Limited-scope reviews were performed in the nonmetropolitan Mountain Assessment Area ("AA") (including Eagle, Garfield, and Pitkin counties, all in Colorado); the Grand Junction, Colorado MSA; the Boulder, Colorado MSA; the San Miguel County, Colorado AA; the Northern Wyoming AA; the Casper, Wyoming MSA; and the Albany County, Wyoming AA. Examiners placed greater weight on the bank's performance in Colorado because of the concentration of the bank's loans, deposits, and branch locations in that state.

In evaluating the Service Test, examiners found that ANB provided an adequate level of community development services in its assessment areas. The bank's branch locations and alternative delivery systems, such as ATMs and drive-through banking facilities, were accessible to the bank's various geographies and to individuals of different income levels in each assessment area. The bank's services and hours did not vary in a way that inconvenienced any of the needs in its assessment areas, particularly of LMI individuals and in its various geographies.

CRA Performance of CW Bank

CW Bank received an overall rating of "satisfactory" at its most recent CRA performance examination by the Office of the Comptroller of the Currency, in May 2012 ("CW Bank Evaluation").²⁴ Examiners found that CW Bank's loan-to-deposit ratio was reasonable given the bank's performance context and strong competition in its assessment areas and that a substantial majority of its loans were inside its assessment areas. Examiners concluded that the bank's lending within its assessment areas exceeded the standard for satisfactory performance and was reasonable.

²⁴ The CW Bank Evaluation was conducted using Small Bank CRA Examination Procedures, and examiners reviewed the bank's commercial business and residential real estate lending activity from July 1, 2007, through March 26, 2012. The CW Bank Evaluation reviewed the bank's Albany County, Wyoming AA; the Cheyenne, Wyoming MSA; and the Fort Collins-Loveland, Colorado MSA.

B. Additional Information on Convenience and Needs of Communities to be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits.

ANB represents that the proposed transaction would provide CW Bank's customers with a broader network of branches, enhanced products and services, and expanded financial resources and lending capacity. In addition, the merger would provide increased efficiencies and other savings, particularly in areas of strategic planning, data processing, and marketing. ANB plans to close CW Bank's branch in Laramie, Wyoming, and consolidate CW Bank's branch in Cheyenne, Wyoming, into ANB's branch located less than 1,000 feet away.²⁵ CW Bank customers will continue to have access to banking services in each of the communities currently served by CW Bank.

C. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by ANB, and confidential supervisory information. Based on the Board's

²⁵ ANB represents that the closing of the Laramie, Wyoming branch will be completed in accordance with the bank's branch closing policy and applicable laws and regulations.

assessment of the CRA performance and consumer compliance programs of ANB and CW Bank, its review of examination reports, and its consultations with other agencies, the Board concludes that the convenience and needs factor, including the CRA records of the insured depository institutions involved in this transaction, is consistent with approval of the application.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) amended the Bank Merger Act to require the Board to consider a merger proposal’s “risk to the stability of the United States banking or financial system.”²⁶

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial

²⁶ Section 604(f) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1828(c)(5).

system, and the extent of the cross-border activities of the resulting firm.²⁷ These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.²⁸

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation of the proposed transaction, ANB would have approximately \$2.2 billion in consolidated assets and would be outside the top 100 largest financial institutions in the United States as measured by assets. The Board generally presumes that a merger resulting in a firm with less than \$25 billion in total consolidated assets would not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction. ANB would continue to engage in

²⁷ Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

²⁸ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

traditional commercial banking activities. The resulting organization would only experience very small increases in the metrics that the Board considers to measure an institution's complexity and interconnectedness, with the resulting firm ranking outside of the top 100 U.S. financial institutions in terms of those metrics. For example, ANB's intrafinancial assets and liabilities would comprise a negligible share of the systemwide total, both before and after the transaction, and the resulting firm would control less than 0.1 percent of the assets of all U.S. depository institutions. The resulting organization would not engage in complex activities, nor would it provide critical services in such volume that disruption in those services would have a significant impact on the macroeconomic condition of the United States by disrupting trade or resulting in increased resolution difficulties.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

Establishment of Branches

ANB has applied under section 9 of the FRA to establish branches at the current locations of CW Bank, and the Board has considered the factors it is

required to consider when reviewing an application under that section.²⁹

Specifically, the Board has considered ANB's financial condition, management, capital, actions in meeting the convenience and needs of the communities to be served, CRA performance, and investment in bank premises. For the reasons discussed in this order, the Board finds those factors to be consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the Bank Merger Act and the FRA. Approval of the applications is specifically conditioned on compliance by ANB with all the commitments made in connection with this proposal and the conditions set forth in this order. The commitments and conditions are deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

Acquisition of CW Bank may not be consummated before the 15th calendar day after the effective date of this order or later than three months after

²⁹ 12 U.S.C. § 322; 12 CFR 208.6.

the effective date of this order, unless such period is extended for good cause by the Board or by the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors,³⁰ effective September 11, 2014.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

³⁰ Voting for this action: Chair Yellen and Vice Chairman Fischer, Governors Tarullo, Powell, and Brainard.

Appendix

Branches to be Established by ANB

2015 Central Avenue
Cheyenne, Wyoming 82001

2108 Milestone Drive
Fort Collins, Colorado 80525

2020 Grand Avenue
Laramie, Wyoming 82070