



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

[January 26, 2009]

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Gillette]
Charter Number: 15158]

319 South Gillette Avenue]
Gillette], WY] 82716]

Office of the Comptroller of the Currency

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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 supporting the institution's rating are as follows:

- First National Bank of Gillette's (FNBG) loan-to-deposit ratio is reasonable in comparison to similarly situated banks in central and northeastern Wyoming.
- A majority of the bank's loan originations are made within its Assessment Area (AA).
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank demonstrates satisfactory responsiveness to community development needs in its AA through qualified, community development loans, investments and services.

Scope of Examination

We evaluated FNBG's Community Reinvestment Act performance under the Lending and Community Development Tests. In evaluating the bank's lending performance we reviewed lending data for three of the bank's primary loan products. Accordingly, for the AA (refer to the Description of Assessment Area section below), we reviewed a sample of commercial loans, residential real estate purchase loans, and home equity loans originated during the period of January 1, 2007 through January 26, 2009.

The evaluation covers the period from the date of the previous CRA Examination, January 26, 2004, through January 26, 2009. The Lending Test evaluated commercial, residential real estate purchase, and home equity lending from January 1, 2007 through January 26, 2009, and the Community Development Test covered community development loans, investments and services during the entire evaluation period. We reviewed the bank's community development loans, investments and services based on information provided by the bank. We used only those that met the regulatory definition for community development in our analysis of the Community Development Test. We used the most recent available demographic data from the Lending and Community Development Tests.

Description of Institution

FNBG is a community bank located in Gillette, Wyoming. Gillette is located in northeastern Wyoming, an area that is vital to the development of vast quantities of coal, oil, and coal bed methane gas. The First National Bank of Gillette Holding Company owns 100 percent of the bank and is headquartered in Gillette, Wyoming.

FNBG offers a wide range of credit products within its AA including consumer, commercial, and real estate loan products. The bank's primary lending focus is on residential mortgage and business lending. Within the residential mortgage portfolio, FNBG originates long-term mortgage loans for sale on the secondary market. FNBG operates two full service branches offering various loan and deposit products and four automated teller machines (ATMs). As of September 30, 2008, FNBG reported \$355 million in total assets, \$120 million in total loans, \$318 million in total deposits, and \$35 million in equity capital. Total loans represented 34 percent of total assets. The loan portfolio composition is as follows:

Loan Portfolio Summary by Loan Product September 30, 2008	
Loan Category	% of Outstanding Dollars
Home Loans	59.59%
Business Loans	28.45%
Consumer Loans	10.25%
Farm Loans	2.13%

Source: Consolidated Report of Condition for September 30, 2008

FNBG received a Satisfactory rating at the last CRA examination on January 26, 2004. As of the date of this evaluation, there were no legal, financial, regulatory, or other factors impeding the bank's ability to meet the credit needs of its AA.

Description of Assessment Area

First National Bank of Gillette designated one AA, which meets the requirements of the regulation and does not arbitrarily exclude any LMI areas. Management has designated Campbell County as its AA. The AA includes seven CTs, of which there are no LMI CTs, four middle-income CTs, and three upper-income CTs.

We contacted one community organization during the evaluation. The contact stated that there is a lack of nonprofit housing developers due to the lack of a nonprofit housing development entity or a housing authority. The contact indicated local financial institutions were doing an adequate job in meeting the credit needs of the community.

National financial institution affiliates, as well as affiliates of bank holding companies based in Wyoming, Montana, and Colorado provide strong banking competition. The Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits Report shows FNBG ranked first in the AA with a deposit market share of 36 percent. Economic conditions are generally stable. As of September 30, 2008, the unemployment rate for Campbell County was 1.7 percent. The unemployment rate for the State of Wyoming was 3.3 percent. Based on 2006 U.S. Census data, the total population of Campbell County was 38,934. The 2008 HUD estimated median family income for the AA was \$60,100.

Conclusions with Respect to Performance Tests

LENDING TEST

FNBG's overall performance under the Lending Test is satisfactory. The bank's loan-to-deposit (LTD) ratio and borrower distribution are reasonable, and a substantial majority of loans are inside the AA.

Loan-to-Deposit Ratio

FNBG's LTD ratio is reasonable given the institution's size, financial condition, and credit needs of the AA.

FNBG's average quarterly LTD ratio for all quarters since the prior CRA public evaluation dated January 26, 2004, is 40 percent. To achieve a comparison with similarly situated banks, we identified banks operating in Johnson, Converse, and Natrona Counties that had similar total assets as FNBG. These banks had LTD ratios during the same time period averaging 57 percent. While FNBG's average LTD ratio of 40 percent is less than the LTD ratios of the three similarly situated banks, FNBG sold an annual average of \$85 million in residential real estate loans on the secondary market. This lending activity reflects an adjusted LTD ratio of 64 percent, which reasonably compares to the similarly situated banks' LTD ratios.

Lending in Assessment Area

FNBG exceeds the standards for satisfactory performance with a substantial majority of loans originated within the AA.

A substantial majority of loans are in the bank's AA. Of the loans we sampled, 84% by number and 93% by dollar volume were within the bank's AA. The bank's operates in, and focuses on lending in the Campbell County AA. See the table below for a full breakdown of the lending within the AA.

Table 1 - Lending in Campbell County										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	28	93.33%	2	6.67%	30	\$6,058	96.56%	\$216	3.44%	\$6,273
RE - Home Equity	17	85.00%	3	15.00%	20	\$1,476	87.33%	\$214	12.67%	\$1,690
Commercial Loans	14	70.00%	6	30.00%	20	\$2,117	87.28%	\$308	12.72%	\$2,425
Totals	59	84.29%	11	15.71%	70	\$9,650	92.90%	\$738	7.10%	\$10,388

Source: Sample of loans used for CRA performance analysis.

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

Conclusions for Areas Receiving Full-Scope Reviews

The overall borrower distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable.

Residential Real Estate Purchase Loans

The borrower distribution of residential real estate first mortgage 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 mitigates this negative comparison.

Table 2 - Borrower Distribution of Residential Real Estate Purchase Loans in Campbell County									
Borrower Income Level	Low		Moderate		Middle		Upper		Total
	% 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 Number of Loans
# of Real Estate Loans		0		4		7		17	28
% of Total	12.08%	0.00%	15.40%	14.29%	23.21%	25.00%	49.31%	60.71%	100.00%

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

Home Equity Loans

The borrower distribution of home equity loans is reasonable. Our review of a sample of loans indicates that lending was near the area demographics for both low- and moderate-income families.

Table 2 – Borrower Distribution of Home Equity Loans in Campbell County									
Borrower Income Level	Low		Moderate		Middle		Upper		Total
	% 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 Number of Loans
# of Real Estate Loans		2		2		7		9	20
% of Total	12.08%	10.00%	15.40%	10.00%	23.21%	35.00%	49.31%	45.00%	100.00%

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

Commercial Loans

The borrower distribution of loans to businesses of different revenue levels is reasonable. The distribution of FNBG's loans to businesses of different revenue levels exceeds area demographic data. Based on our sample, the following table illustrates the bank's distribution of commercial loans based on whether the businesses had less than \$1 million in revenue or more than \$1 million. Although the percentage of loans the bank made to businesses with revenues less than \$1 million compares favorably to the percentage of businesses reporting revenues less than \$1 million, there was a significant number of businesses (44%) that did not report revenues.

Table 2A - Borrower Distribution to Businesses in Campbell County				
Business Revenues (or sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	51.61%	4.21%	44.17%	100.00%
Number (#) of loans	12	8	0	20
% of Bank Loans in AA by #	60.00%	40.00%	0.00%	100.00%
\$ of loans	\$1,166,026	\$1,911,467	\$0	\$3,077,493
% of Bank Loans in AA by \$	37.89%	62.11%	0.00%	100.00%

Source: Examiner loan sample and Dunn and Bradstreet.

Geographic Distribution of Loans

We did not perform a geographic distribution analysis. An analysis would not have been meaningful as Campbell County consists of seven CTs, four of which are middle-income CTs and three of which are upper-income CTs. There are no low or moderate-income CTs in the AA.

Responses to Complaints

FNBG has not received any complaints during this evaluation period in regards to its CRA performance.

COMMUNITY DEVELOPMENT TEST

FNBG's responsiveness through community development lending, investments, and services is satisfactory.

FNBG's performance under the community development (CD) test demonstrates adequate responsiveness to the community development needs of its AA, considering context and the needs and opportunities within the AA. The bank's community development loans, investments/donations, and services addressed identified needs.

Number and Amount of Community Development Loans

The number and amount of the bank's community development lending exhibits an excellent responsiveness to the needs of LMI individuals in the bank's AA. FNBG originated five community development loans in this AA since the last CRA examination totaling \$8,076,164.

- \$3,500,000 for a housing development to provide affordable housing for LMI individuals;
- \$873,289 in individual residential real estate loans for LMI individuals;
- \$2,231,257 SBA 504 Loan to build and equip a new medical office building for an outpatient OBGYN clinic;
- \$1,200,000 in individual loans for LMI individuals to purchase mobile homes as their primary residence;
- \$271,600 to finance a communal living facility for LMI handicapped individuals.

Number and Amount of Qualified Investments

FNBG's community development investments program demonstrates an adequate responsiveness to the needs within the AA. Community development investments and services are very limited considering the opportunities in the AA and the bank's capacity. However, while the bank's number and amount of community development investments and services are limited, they are targeted to organizations that provide highly responsive support for the financial needs and community service needs of LMI individuals. The dollar amount of community development investments is limited. FNBG made qualified investments totaling \$18,000. This consists of \$10,000 to an economic development corporation and \$8,000 to a non-profit community service provider.

Extent to Which the Bank Provides Community Development Services

The bank's community development services program demonstrates an adequate responsiveness to the needs within its AA. We evaluated both the bank's retail banking services and community development services.

The distribution of FNBG's branches and service delivery systems are satisfactory and accessible to individuals of different income levels within the AA. FNBG operates two full service branches offering various loan and deposit products and four ATMs.

The extent and innovativeness of FNBG's community development services are limited. FNBG was involved in one community development service to provide facilities to the local Volunteer Income Tax Assistance (VITA) agency. VITA is targeted entirely to LMI individuals.

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.