



## **PUBLIC DISCLOSURE**

May 04, 2015

### **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

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 Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- First National Bank of Gillette's (FNBG) loan-to-deposit (LTD) ratio is reasonable in comparison to other area banks.
- A substantial majority of FNBG's loan originations during the evaluation period are within the bank's assessment area (AA).
- The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable.
- FNBG's responsiveness through community development (CD) lending, investments, and services is adequate.
- There have been no consumer complaints regarding FNBG's Community Reinvestment Act (CRA) performance during the evaluation period.

**Scope of Examination**

This evaluation covers the period from the date of the previous CRA examination, January 10, 2012, through May 4, 2015 (evaluation period). We evaluated FNBG's CRA performance using Intermediate Small Bank examination procedures, which include a lending test and a CD test. Through the lending test, we evaluated the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. Through the CD test, we evaluated the bank's responsiveness to CD needs in its AA through qualifying lending, investment, and service activities.

The CD 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.

In evaluating the bank's lending performance, we reviewed a sample of the bank's primary loan products originated during the period of January 1, 2013 through March 31, 2015 (loan sampling period). For purposes of this evaluation, the bank's primary loan types are residential real estate loans and business loans. These two products represent 89 percent by dollar volume and 58 percent by number of loans originated since the previous evaluation. The following table shows the volume of loans originated during the evaluation period.

Loan Types Originated	% by Dollars of Loans	% by Number of Loans
<b>Residential Real Estate Loans</b>	<b>60%</b>	<b>35%</b>
<b>Business Loans</b>	<b>29%</b>	<b>23%</b>
Consumer Loans	9%	39%
Farm Loans	2%	3%
Total	100%	100%

Source: Bank Loan Records

Our evaluation for the Lending Test was based on a sample of 20 residential mortgage loans originated in the AA, and a sample of 20 business loans originated in the AA during the loan sampling period.

## Description of Institution

FNBG is a community bank operating in Gillette, WY. The bank is 100% owned by First National Bank of Gillette Holding Company, which is also headquartered in Gillette, WY. Though the bank is affiliated with Converse County Bank in Douglas, WY, no affiliate activity was considered in this evaluation. As of March 31, 2015, FNBG had total assets of \$589 million, with net loans representing 21% of total assets. The bank's primary lending strategy is focused on residential real estate and business lending. The bank sells most residential real estate purchase and refinance loans that it originates on the secondary market. The composition of FNBG's loan portfolio as of March 31, 2015 is shown in the table below:

Loan Type	% of Loan Portfolio as of 3/31/15 (by \$ Amount)
Residential Real Estate Loans *	26%
Commercial Real Estate Loans	33%
Business Loans	27%
Consumer Loans	10%
Farmland and Agricultural Loans	4%
Total	100%

Source: FDIC March 31, 2015 Call Report

\*Total does not include residential mortgage loans that FNBG originated but sold on the secondary market.

There were no acquisition or merger activities during the evaluation period. FNBG does not have any financial or legal impediments that prevent it from meeting the credit needs of the AA. The prior CRA Performance Evaluation dated January 9, 2012, resulted in a "Satisfactory" rating.

FNBG is responsive to the needs of the communities it serves as identified through a community contact. We conducted the community contact with a local economic development organization. The community contact indicated that the local community needs additional housing units for all income levels. The contact also indicated that banks in the local area provide adequate credit for local residents to purchase housing. The contact also pointed to a need for economic diversification into other industries beyond the locally dominant energy industry, and suggested that banks could provide financing for industrial parks and related infrastructure projects to help in this effort.

They stated that banks in the area make an effort to work with small businesses by preparing loan packages and assisting in preparing financial statements. The community contact indicated that overall, local banks are responsive to the needs of the community.

Please refer to the bank's CRA *Public File* for more information.

## **Description of Assessment Area**

FNBG's AA includes all of Campbell County and consists of two upper-income census tracts (CTs), five middle-income CTs, and no low- or moderate-income (LMI) CTs. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude LMI geographies.

Competition from other financial institutions is strong. According to the FDIC Insured Institutions Deposit Market Share Report, nine financial institutions have a presence in the AA, with thirteen offices throughout Campbell County. FDIC market share data as of June 30, 2014 indicates FNBG's deposits in the county total \$485 million, which equates to a 45 percent market share. Primary competitors for deposit market share in FNBG's AA include First Interstate Bank with 30 percent market share, Wells Fargo Bank, N.A. with 9 percent market share, and Security State Bank with 7 percent market share.

According to 2010 U.S. Census data, the total population of this AA is 46,133. Approximately 13 percent of the families are classified as low-income, 13 percent as moderate-income, 21 percent as middle-income, and 53 percent as upper-income. The 2010 U.S. Census data also shows that 6 percent of all families in this AA live below the poverty level. The median family income (MFI) for the area is relatively high at \$70,700 in 2014 according to 2010 US Census data. The median price for a house is \$188,159, which is not affordable for low-income families. The definition of low-income is having a median family income of 50 percent or less of the MFI. Regarding the occupancy status of residential properties in the AA, 69.3 percent are owner-occupied units, 22.3 percent are occupied rental units, and 8.4 percent are vacant. Regarding the type of properties, 60.7 percent are single-family residences, 12.4 percent are multifamily properties, and 26.3 percent are mobile homes.

Business Geodemographic Data for 2011 shows 3,447 non-farm businesses in the AA, of which 2,410 (70 percent) have gross annual revenues of \$1 million or less, 185 (5 percent) have revenues over \$1 million, and 852 (25 percent) did not report revenues.

According to the U.S. Bureau of Labor Statistics, the average unemployment rate in the bank's AA for 2012, 2013 and 2014 is 4.1 percent, lower than the state of Wyoming's unemployment rate of 4.8 percent and the national average of 7.2 percent for the same period. The area has substantial deposits of minerals, and the primary industry in the AA is energy. Very large as well as smaller local energy companies, along with local

businesses that provide services and products ancillary to these companies, are the significant drivers of the local economy.

<b>Demographic Information for Campbell County AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	71.43	28.57	0.00
Population by Geography	46,133	0.00	0.00	66.86	33.14	0.00
Owner-Occupied Housing by Geography	12,141	0.00	0.00	67.56	32.44	0.00
Business by Geography	3,447	0.00	0.00	76.94	23.06	0.00
Farms by Geography	155	0.00	0.00	60.65	39.35	0.00
Family Distribution by Income Level	11,806	13.20	12.43	21.11	53.26	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,026	0.00	0.00	80.04	19.96	0.00
Median Family Income		67,040	Median Housing Value		188,159	
HUD Adjusted Median Family Income for 2014		70,700	Unemployment Rate (BLS Average 2012-2014)		4.1%	
Households Below Poverty Level		6%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census and 2014 HUD updated MFI

## Performance Tests

### LENDING TEST

FNBG’s performance under the lending test is satisfactory. This assessment is based on the bank’s LTD ratio, lending in the AA, and distribution of loans to borrowers of different incomes and businesses of different sizes.

### Loan-to-Deposit Ratio

FNBG’s LTD ratio is reasonable given the bank’s size, the AA needs, and comparison to other financial institutions in the area. Over the past 13 quarters since the last CRA examination, the bank’s quarterly LTD ratio averaged 27 percent and ranged from 24 to 30 percent. The quarterly average of five other financial institutions in the area over the same period ranged from a low of 29 percent to a high of 68 percent, with an average LTD ratio of 47 percent. However, FNBG originated over \$374 million in mortgage loans since the previous examination, and sold them on the secondary market. These loans are not included in the bank’s 27 percent LTD ratio mentioned above. Including this \$374 million in the bank’s loan totals, the bank’s average quarterly LTD ratio would increase to 33 percent. Additionally, FNBG maintains significant public funds deposits that are not used to fund loans, and this also negatively influences the bank’s LTD ratio. Overall, FNBG’s LTD ratio is comparable to the LTD ratios of other banks in the area, and is reasonable.

**Lending in Assessment Area**

The bank originates a substantial majority of loans by number and dollar volume inside its AA. The aggregate percentage of residential real estate and business loans originated within the AA totals 93 percent by number and 87 percent by dollar volume. The following table illustrates the bank’s lending activity for the primary loan products during the loan sampling period.

<b>Lending in Campbell County</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Residential Real Estate	18	90.0%	2	10.0%	20	\$3,675	87.2%	\$539	12.8%	\$4,214
Business Loans	19	95.0%	1	5.0%	20	\$6,630	86.1%	\$750	13.9%	\$5,380
Totals	37	92.5%	3	7.5%	40	\$8,305	86.6%	\$1,289	13.4%	\$9,594

Source: Sample from Bank Loan Records

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

FNBG’s lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration in the bank’s AA. We placed greater weight on the lending distribution for residential loans given the greater volume originated for this product type.

Residential Lending

The distribution of the bank’s loans to borrowers of different incomes is reasonable overall. Based on the residential loan sample, lending to low-income borrowers was very poor. However, we performed additional analysis during this evaluation and verified through review of bank records that the bank has made numerous residential mortgage loans to low-income borrowers during the evaluation period. We also note that low-income borrowers often experience more difficulty in meeting mortgage qualification requirements, particularly those below the poverty level. Families below the poverty level represent 44.8 percent of low-income families in the AA. In addition, the relatively high price of houses in the bank’s AA present a barrier to low-income persons wishing to purchase a home. The bank’s level of lending to moderate-income borrowers is double the percentage of moderate-income families living in the AA, which demonstrates excellent penetration; this performance mitigates lending performance to low-income borrowers. The table below compares the borrower distribution of FNBG’s residential real estate lending to demographic census data.

<b>Borrower Distribution of Residential Real Estate Loans in Campbell County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Real Estate Loans	13.2%	0.0%	12.4 %	25.0%	21.1%	30.0%	53.3%	45.0%

Source: 2010 U.S. Census Data and Sample of Bank Loan Records

**Small Business Lending**

The bank’s lending to businesses of different sizes exceeds the standard for satisfactory performance in the AA and is excellent. Lending to businesses with revenues of \$1 million or less is greater by both number and dollar volume compared to the available demographics of the AA for small businesses. The following table shows the bank’s borrower distribution for business loans.

<b>Borrower Distribution to Businesses in Campbell County</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	69.9%	5.4%	24.7%	100.0%
% of Bank Loans in AA by #	75.0%	25.0%	0.0%	100.0%
% of Bank Loans in AA by \$	86.8%	13.2%	0.0%	100.0%

Source: 2014 Business Geodemographic Data and Sample of Bank Loan Records

**Geographic Distribution of Loans**

An analysis of the geographic distribution of loans was not performed as part of this evaluation. All geographies within the AA are designated as either middle- or upper-income. Therefore, an analysis of the geographic distribution of loans to low- and moderate-income geographies would not have been meaningful.

**Responses to Complaints**

FNBG did not receive any CRA-related complaints during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

FNBG’s responsiveness through CD lending, investments, and services is adequate. FNBG’s performance under the CD test demonstrates adequate responsiveness to the CD needs of its AA considering context, needs, and opportunities within the AA. FNBG’s CD loans, qualified investments and donations, and CD services addressed identified needs.

### Number and Amount of Community Development Loans

The bank's CD lending exhibits an adequate responsiveness to the CD credit needs of LMI individuals in the bank's AA. As allowed by interagency guidance, the bank elected to present, for CD credit, certain residential mortgage loans made during the evaluation period but prior to the loan sampling period used in the Lending Test. The bank originated 166 residential mortgage loans that qualify as CD loans in this AA, which totaled \$26,820,188. Of the total, 30 of these loans (18 percent) were originated to low-income borrowers, with the remaining to moderate-income borrowers.

### Number and Amount of Qualified Investments

FNBG's CD investments demonstrate adequate responsiveness to needs within the AA. The bank’s investments provide support to the community development needs of LMI individuals in the bank’s AA. Management made numerous investments totaling \$111,181 to qualifying CD organizations during the evaluation period. The organizations are listed in the table below, along with the total amount provided to each.

Organization	Amount Provided (\$)
Senior Housing Crime Prevention Foundation	\$ 60,000
Campbell County Economic Development Corporation	\$ 30,000
Campbell County Health Foundation	\$ 11,991
Council of Community Services	\$ 9,190
<b>Total</b>	<b>\$ 111,181</b>

### Extent to Which the Bank Provides Community Development Services

The bank's level of CD services demonstrates overall excellent responsiveness to the needs within its AA. We evaluated both the bank’s retail banking services and CD services.

The distribution of the bank’s branches and service delivery systems is adequate and accessible to individuals of different income levels within the AA. In addition to the main bank facilities, management operates two branches offering various loan and deposit products. The bank provides seven automated teller machines (ATMs) throughout the AA, twenty-four hour telephone banking, and online banking including bill pay services.

The extent and responsiveness of the bank's CD services demonstrate excellent responsiveness to community development needs of the AA. A significant number of bank employees and members of bank management volunteer at various community development organizations and also provide community development services directly. Together, they provided 3,467 hours of CD services during the evaluation period to at least eight different CD organizations. These organizations and activities include:

- Several bank employees and members of management participated in providing services sponsored by the Council for Community Services (CSC). Services provided by CSC include housing for low-income persons, a shelter for homeless individuals, a year-round daily soup kitchen, a food pantry, home weatherization services, and other emergency services for low-income individuals in the area.
- A bank representative served as the President and in other leadership capacities for the Northeast Wyoming Economic Development Coalition.
- Two bank representatives served on the Board of Directors and in other leadership roles for the Campbell County Economic Development Corporation (aka the Energy Capital Economic Development Corporation).
- A bank representative teaches financial literacy classes every semester at local schools, including alternative schools, at-risk youth facilities and emergency services facilities.
- Five bank representatives provide mentoring services to LMI at-risk youth at the Youth Emergency Services (YES) House. The bank provides time during regular workdays for these volunteers to serve as mentors at the YES House.
- A bank representative served in leadership capacities (e.g. President, Treasurer) at the Campbell County Healthcare Foundation, which helps facilitate certain community services targeted to LMI individuals.
- A bank representative serves at Second Chance Ministries, an organization that provides job counseling, job search assistance, and other transitional services to persons who have recently been, or are about to be released from incarceration.
- A bank representative serves on the Advisory Board for Pilots for Christ, an organization that flies persons requiring emergency medical services or medical services that are not available locally to other facilities equipped for those situations. It provides these services at little or no cost to low-income persons who cannot afford to pay.

### **Responsiveness to Community Development Needs**

Overall, FNBG's CD loans, investments, and services demonstrate adequate responsiveness to the community development needs and opportunities that exist in its AA. FNBG is one of the primary lenders and depository banks in the area, offering loan and deposit products and services that meet the needs of all individuals and geographies in the AA, regardless of income levels. Additionally, FNBG officers and

employees are actively involved in other community organizations that may not meet the CRA criteria for “community development”, but still contribute substantially to the betterment of the community in which the bank operates.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 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.