

PUBLIC DISCLOSURE

June 8, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

1st Bank
1001 Main Street
Evanston, Wyoming 82930
RSSD 888253

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

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 the 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.

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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The Community Reinvestment Act (CRA) performance of 1st Bank, Evanston, Wyoming, is satisfactory. The bank's performance demonstrates responsiveness to credit needs and community development needs for each assessment area. The CRA performance is based on the Lending Test and the Community Development Test for intermediate small banks (ISB). The bank's performance under the Lending Test received more weight than the performance under the Community Development Test for purposes of determining the overall rating.

The Lending Test rating is satisfactory based on the following criteria and bank performance:

- The net loan-to-deposit ratio is good given the bank's size and financial condition,
- The distribution of loans to borrowers of different income levels and to businesses of different sizes is very good,
- The geographic distribution of loans is reasonable,
- The bank originated a significant majority of loans inside its assessment areas, and
- No consumer complaints related to CRA were received.

The Community Development Test rating is satisfactory based on the following criteria and bank performance:

- The level of community development activities is good, which consists of community development lending, qualified donations, and community development services.
- The community development activities demonstrate good responsiveness to community needs.

1st Bank was evaluated under the Small Bank Evaluation Procedures at the April 2, 2007, evaluation and received a satisfactory rating. Based on these procedures, the bank's lending performance was evaluated based on the criteria listed above. In addition, community development activities were evaluated to enhance the overall rating.

EVALUATION METHODOLOGY

Given the bank's asset size, the bank is now evaluated under the procedures for ISBs. These procedures were adopted on July 19, 2005, when the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (Agencies) approved final changes to their CRA regulations. The new rules became effective September 1, 2005. The Agencies did the following in the final rules:

- Adopted an ISB evaluation process for banks with assets of at least \$250 million as of December 31 for both of the prior two calendar years and less than \$1 billion as of December 31 for either of the prior two calendar years,¹
- Eliminated the CRA data reporting requirements for institutions with assets less than \$1 billion as of December 31 for either of the prior two calendar years,
- Modified the definition of community development to encourage bank activities in some rural and designated disaster areas, and
- Clarified when illegal lending practices by a bank or its affiliate might lead to the lowering of the bank's CRA rating.

¹The asset thresholds for defining ISBs adjust annually.

Under the ISB procedures, the following criteria were analyzed to determine the bank's Lending Test rating:

- Net loan-to-deposit ratio,
- Lending inside the assessment area,
- Lending to borrowers of different income levels and to businesses of different revenue sizes,
- Geographic distribution of loans, and
- Record of responding to complaints about the bank's CRA performance.

Also under the ISB procedures, the bank's qualified investments, community development services, and community development loans were reviewed to determine the Community Development Test rating. The Lending Test and Community Development Test were combined to determine the bank's overall rating.

SCOPE OF EVALUATION

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources in addition to economic and demographic characteristics of the assessment areas, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance. The community contacts did not identify unmet credit needs in the assessment areas.

Since the previous CRA evaluation, 1st Bank merged with North Side State Bank, Rock Springs, Wyoming, on April 30, 2007, and The First National Bank of Morgan, Morgan, Utah, on February 1, 2009. North Side State Bank received a satisfactory CRA rating as a small bank from the Federal Deposit Insurance Corporation (FDIC) on August 13, 2003. The First National Bank of Morgan received a satisfactory CRA rating as a small bank from the Office of the Comptroller of the Currency on September 16, 2003.

Lending Test

The Lending Test in Wyoming is based on 1st Bank's lending activity. The Lending Test in Utah is based on The First National Bank of Morgan's lending activity.

This evaluation is based on the major product lines offered by the banks. Table 1 shows combined 2008 lending activity for both financial institutions.

<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Consumer	2,198	57	\$ 22,965,889	11
Home Equity Line of Credit	173	4	\$ 11,428,332	6
Home Equity Loan	21	1	\$ 704,633	<1
Overdraft Protection	282	7	\$ 262,650	<1
Residential Real Estate	398	10	\$ 81,202,743	39
Small Business	608	16	\$ 59,624,154	29
Commercial >\$1 Million	10	<1	\$ 21,648,567	10
Small Farm	163	4	\$ 9,364,437	5
Total	3,853	100	\$207,201,405	100

The Lending Test performance was based on a review of statistical samples of residential real estate, small business, and consumer loans. The analysis included 89 residential real estate and 171 consumer loans originated between July 1, 2008, and December 31, 2008. 1st Bank did not have offices in a metropolitan statistical area (MSA) during the evaluation period, and therefore was not required to collect mortgage lending data in accordance with Regulation C--Home Mortgage Disclosure Act (HMDA). The analysis also included 152 small business loans originated between January 1, 2008, and December 31, 2008.

To determine the Lending Test rating, five criteria were evaluated in the following order of importance:

- Lending to borrowers of different incomes and to businesses of different sizes,
- Geographic distribution of loans,
- Net loan-to-deposit ratio,
- Lending in the assessment areas, and
- Record of responding to complaints about the bank's CRA performance.

For the purpose of assigning the Lending Test rating, the bank's lending activity in the Evanston assessment area received the greatest weight. The weighting reflects the longevity of the bank's operations and the number of offices in this assessment area compared to the bank's activity and presence in the new Morgan assessment area. In addition, the majority of the bank's lending is conducted in the Evanston assessment area.

Community Development Test

The evaluation is also based on a review of the bank's community development activities in both assessment areas. These activities include community development loans, qualified investments, and community development services. The review period for community development activities is different for the two assessment areas. The review period for community development activity in the Evanston assessment area is April 2, 2007, to June 8, 2009. The review period for community development activity in the Morgan assessment area is February 1, 2009, to June 8, 2009. The greatest weight for rating the bank's performance was placed on qualified community development lending and the bank's performance in the Evanston assessment area.

DESCRIPTION OF INSTITUTION AND ASSESSMENT AREAS

General. The bank effectively meets the community credit needs in its assessment areas given its office locations, size, and products.

Structure. This is 1st Bank's second CRA evaluation since becoming a state member bank on June 30, 2006. The bank is wholly owned by Glacier Bancorp, Inc., Kalispell, Montana (GBCI), a multibank holding company, which acquired the bank February 25, 2005. GBCI, a publicly traded company on the NASDAQ National Market System, also owns the following subsidiary banks:

- Glacier Bank, Kalispell, Montana;
- Valley Bank of Helena, Helena, Montana;
- Big Sky Western Bank, Bozeman, Montana;
- Western Security Bank, Billings, Montana;
- First Security Bank of Missoula, Missoula, Montana;
- First Bank of Montana, Lewistown, Montana;
- Mountain West Bank, Coeur d'Alene, Idaho;
- Citizens Community Bank, Pocatello, Idaho; and
- Bank of the San Juans, Durango, Colorado

Offices and retail delivery systems. 1st Bank is a full-service bank with its main office located in Evanston, Wyoming. The bank also operates ten full-service branches: eight in Wyoming and two in Utah. Since the previous evaluation, the bank added a full-service branch in Pinedale, Wyoming. In addition, the bank added the following branches through merger activity: Rock Springs, Wyoming; Morgan, Utah; and Mountain Green, Utah. The bank's offices have designated lobby and drive-up hours to meet customer needs, including extended evening hours and Saturday hours at certain offices. The bank operates 22 cash-dispensing automated teller machines (ATM); the bank added eight ATMs and closed one ATM since the last evaluation. The majority of the ATMs added since the last evaluation are in the new markets of Rock Springs and Pinedale as well as Morgan. Each full-service office has an ATM.

The bank offers 24-hour telephone banking, which allows bank customers to retrieve account information, transfer funds between accounts, check interest information, and make loan payments. In addition, the bank's web site offers account access and the ability to view account summaries and histories, make loan payments, transfer funds, pay bills, and order checks.

Assessment area. As of the evaluation date, the bank has two assessment areas for purposes of CRA: Evanston, Wyoming, and Morgan, Utah. Table 2 lists the assessment areas with a geographical description as well as the offices in each. Sweetwater County was added to the Evanston assessment area since the previous evaluation as a result of the North Side State Bank merger. Morgan County is part of the Ogden-Clearfield, UT MSA.

<i>Assessment Area Name</i>	<i>Assessment Area Description</i>	<i>Offices in Assessment Area</i>
Evanston Assessment Area	Uinta, Sweetwater, Lincoln, and Sublette Counties	Main (Evanston), Evanston Wal-Mart, Kemmerer, Mountain View, Afton, Alpine, Rock Springs, Pinedale (2)
Morgan Assessment Area	Morgan County	Morgan and Mountain Green

Detailed descriptions of the assessment areas are set forth in the appropriate section for each assessment area in this evaluation.

Loan portfolio. According to the March 31, 2009, Report of Condition, the bank had total assets of \$582.6 million. As of March 31, 2009, the bank's \$324.6 million loan portfolio is made up of 58.9% commercial, 25.1% residential real estate, 9.7% consumer, and 6.1% agricultural loans. The increase in assets and loan portfolio can be attributed to the merger activity. Since the last evaluation, the total loan portfolio has grown by more than \$169 million, or a 110% increase.

Credit products. The bank offers a wide variety of loan products designed to serve the credit needs of residents, businesses, and farms in the assessment area. Consumer loan products include overdraft protection, credit cards, home equity lines of credit, personal lines of credit, and other general consumer-purpose loans, including some dealer contract loans. The bank offers residential real estate loans for purchase and refinance purposes, mobile home loans, construction loans, and home improvement loans. The bank offers conventional loans for commercial and agricultural loans. Additionally, the bank participates in state and federal loan programs sponsored by the United States Department of Agriculture Rural Development, the Wyoming Community Development Authority (WCDA), and the Small Business Administration. WCDA's role is to provide affordable housing for first-time homebuyers. It also

provides down payment assistance, as well as many other programs and educational classes to aid homebuyers.

Community contacts. In addition to discussions with bank management, members of the community familiar with economic issues in the assessment areas were contacted. Information from these contacts and bank management was used in the evaluation of the bank's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is satisfactory. The rating is based on a satisfactory rating for the Lending Test and satisfactory rating for the Community Development Test.

LENDING TEST

The bank's performance under the Lending Test is rated satisfactory. The Lending Test rating is based on the following criteria and bank performance:

- The net loan-to-deposit ratio is good given the bank's size and financial condition,
- The distribution of loans to borrowers of different income levels and to businesses of different sizes is very good,
- The geographic distribution of loans is reasonable,
- The bank originated a significant majority of loans inside its assessment areas, and
- No consumer complaints related to CRA were received.

The net loan-to-deposit ratio analysis and the comparison of lending inside and outside the assessment areas are completed at the overall level as opposed to the individual assessment area level; these two factors are discussed in detail subsequently. A summary of the overall performance in the other two performance criteria, distribution of loans to borrowers of different incomes and to businesses of different sizes and the geographic distribution of loans, is also set forth below. Because the assessment areas are in different states, the detailed discussion of the distribution of loans to borrowers of different incomes and to businesses of different sizes and the geographic distribution of loans can be found in the individual assessment area sections.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The general purpose of CRA is to encourage banks to meet the credit needs in their assessment areas while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the net loan-to-deposit ratio is reviewed to assess the bank's willingness to meet credit demand.

The bank's net loan-to-deposit ratio is good given the bank's asset size and financial condition and the assessment areas' credit needs. Table 3 sets forth the nine-quarter average net loan-to-deposit ratio for the bank and four commercial banks with offices in the bank's assessment areas. The loan and deposit activity for Utah is only included since the merger date.

<i>Bank</i>	<i>Total Assets as of March 31, 2009 (in thousands)</i>	<i>Nine-Quarter Average Ratio</i>
1st Bank, Evanston, Wyoming	\$582,559	70.8%
The Rock Springs National Bank, Rock Springs, Wyoming	\$331,548	54.7%
Bank of Star Valley, Afton, Wyoming	\$109,120	77.3%
Rocky Mountain Bank, Wilson, Wyoming	\$346,721	94.3%
Bank of Utah, Ogden, Utah	\$721,986	85.0%

Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio has ranged from 56.8% to 81.6%. When the bank merged with North Side State Bank in June 2007, the bank's net loan-to-deposit ratio declined by almost 10%. However, the net loan-to-deposit ratio has been steadily increasing in subsequent quarters. The average net loan-to-deposit ratio for the nine quarters during the evaluation period is 70.8%, which is considerably higher than the 48.1% average at the previous evaluation. The bank's net loan-to-deposit ratio is lower than the bank's national peer group, which is 86.9%. It sells residential real estate loans on the secondary market; therefore, these loans may not be reflected in the net loan-to-deposit ratio. The national peer group includes all insured commercial banks with assets between \$300 million and \$1 billion. The bank's average net loan-to-deposit ratio is lower than most banks listed in the table; however, the increase since the previous evaluation indicates the bank is actively lending.

1st Bank is one among several community banks and credit unions operating in the assessment areas. In the Evanston assessment area, there is a greater number of larger regional and national banks and credit unions than in the Morgan assessment area. The bank has been successful in attracting and retaining deposits as well as growing the loan portfolio despite the difficult economic conditions during the past two years. Since the previous evaluation, the bank's quarterly average net loan-to-deposit ratio has increased, and is now similar to the listed competitor banks which vary somewhat from the bank in asset size. Given the bank's active lending, asset size, and financial condition and the assessment areas' credit needs, the bank's net loan-to-deposit ratio is good.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The level of lending in the assessment areas is very good. Overall, the majority of loans were originated in the assessment areas. The 2008 HMDA data for The First National Bank of Morgan was minimal and not further analyzed as part of this evaluation. The following table further details the lending activity in the assessment areas by loan type.

<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer	152	88.9	1,356	83.4	19	11.1	269	16.6
Residential Real Estate	79	88.8	17,215	87.8	10	11.2	2,384	12.2
Small Business	136	89.5	13,870	90.2	16	10.5	1,503	9.8
Total	367	89.1	32,441	88.6	45	4.4	4,156	11.4

Overall, a substantial majority of loans were originated in the assessment areas. The banks originated 89.1% of the loans by volume and 88.6% by dollar amount within the assessment areas. Concentration of lending in the assessment areas is very good. The bank extended a substantial majority of small business, consumer, and residential real estate loans to entities and individuals within the assessment areas.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is good. As previously discussed, the bank's performance in the Evanston assessment area received greater weight in determining the overall rating for the bank.

In the Evanston assessment area, the bank's level of consumer lending to borrowers of different income levels is excellent, the level of residential real estate lending to borrowers of different income levels is good, and the level of commercial lending to businesses of different sizes is good.

In the Morgan assessment area, the bank's level of consumer lending to borrowers of different income levels is excellent, the level of residential real estate lending to borrowers of different income levels is reasonable, and the level of commercial lending to businesses of different sizes is reasonable.

Refer to individual assessment area sections for more detailed information on this criterion.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution of the bank's loans in its assessment areas is reasonable. There are no low- or moderate-income census tracts in either assessment area. As previously discussed, the bank's performance in the Evanston assessment area received greater weight in determining the overall rating for the bank.

The Evanston assessment area contains 15 middle- and five upper-income census tracts, and the Morgan assessment area contains two middle-income census tracts. In each assessment area, the geographic distribution of consumer, residential real estate, and small business loans is reasonable.

Refer to individual assessment area sections for more detailed information on this criterion.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

The bank has not received any CRA-related complaints since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated satisfactory. The bank's community development activity reflects good responsiveness to community development needs. The major factors supporting the Community Development Test rating include:

- The bank's level of community development lending is very good,
- Bank staff and officers provide a good level of service to several community development organizations, and
- The bank's qualified investment and donation activity in its assessment areas is satisfactory.

Community development loans. The bank's level of community development lending is very good. 1st Bank originated \$4.1 million in community development loans in the assessment areas since the last evaluation. Table 5 illustrates the type, number, and dollar amount of qualified community development loans in the assessment area.

<i>Type of Loans</i>	<i>Number of Loans</i>	<i>Dollar Amount of Loans</i>
Affordable Housing	13	\$1,797,631
Revitalize and Stabilize	3	\$2,261,338
Economic Development	1	\$ 3,000

The bank elected to have affordable housing loans counted in the Community Development Test. The bank originated several home loans under the WCDA loan program. Many were home purchase loans for low- and moderate-income first-time homebuyers. Seven WCDA home purchase loans were to low- or moderate-income borrowers. In addition, the bank originated several mobile home purchase and refinance loans to low- and moderate-income individuals, as well as loans to purchase mobile home parks for affordable housing. Last, the bank originated a loan for \$2,177,500 to assist with the revitalization and stabilization of a distressed census tract in Uinta County.

The bank's level of community development lending is very good based on the following factors. First, several financial institutions in the Evanston assessment area compete for community development opportunities. Second, the bank originated a variety of community development loans, including affordable housing, economic development, and revitalization and stabilization of distressed census tracts.

Community development investments. The level of qualified community development investment and donation activity is adequate. While the bank did not purchase any qualified investments in the form of securities during the evaluation period, this is reasonable considering the financial environment during the past two years. Investment opportunities have been limited.

While the bank did not purchase any qualified investments, the bank's level of qualified donations during the evaluation period is good. Since the previous evaluation, the bank made \$18,770 in qualified donations in the assessment area. Investment opportunities may be limited, but opportunities for qualified donations exist, especially with the distressed and underserved middle-income census tracts in the Evanston assessment area.

Community development services. Since the previous evaluation, bank employees provided a satisfactory level of community development services in its assessment areas. Bank employees participated in providing services to nonprofit organizations targeted to serving the needs of low- and moderate-income individuals and families and organizations focused on affordable housing and economic development. Bank staff use their banking and financial expertise by serving on committees and as board members. The majority of the community development services were performed by bank staff in the Evanston assessment area. Two bank employees provided community development services to two organizations in the Morgan assessment area. The overall level of community development services is considered reasonable.

In addition to community development services, the bank opened a branch office and two ATMs in Pinedale, Wyoming, which is in an underserved middle-income census tract in Sublette County. In addition, the bank's Rock Springs branch, acquired in the North Side State Bank merger, is in a distressed middle-income census tract in Sweetwater County. There are also three ATMs in Rock Springs. The

bank continues to provide a free checking account product for consumers. Finally, the bank offers 24-hour telephone banking with a toll-free telephone number and Internet banking with free bill-payment services.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation did not reveal any violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

WYOMING

CRA RATING FOR WYOMING: Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

SCOPE OF EVALUATION

The scope of the evaluation for Wyoming is consistent with the overall scope of the evaluation. The bank has one assessment area in the state of Wyoming; consequently, the bank's rating for Wyoming is based solely on the conclusions about its performance in the Evanston assessment area.

The bank's performance in the Evanston assessment area was based on quantitative and qualitative aspects under the performance criteria for the Lending Test: net loan-to-deposit ratio, lending inside the assessment area, lending in geographies of different income levels, and lending to borrowers of different income levels and to businesses of different sizes. The scope of review in the Wyoming assessment area also included the quantitative and qualitative factors under the Community Development Test, which focused on community development loans, qualified investments, and community development services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WYOMING

The bank has designated one assessment area in Wyoming. The assessment area consists of four counties in southwestern Wyoming: Uinta, Sweetwater, Sublette, and Lincoln. The bank has its main office and eight branches in this assessment area. The bank changed the geographic boundaries of its assessment area since the last evaluation. The bank added Sweetwater County to its Evanston assessment area after the merger of North Side State Bank, effective April 30, 2007. In addition, the bank opened a second full-service branch in Pinedale on June 9, 2008.

According to the June 30, 2008, FDIC Market Share Report, the bank had total deposits of approximately \$325.7 million, representing 20.5% of the total deposits in this four-county market. The bank ranks first in market share within this market. Deposits in the Wyoming assessment area represent 100% of the bank's total deposits as of June 30, 2008, because the merger with The First National Bank of Morgan, Morgan, Utah, had not yet occurred. The 2009 data was not available at the time of the evaluation.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	3,185	15.1
Moderate Income	0	0.0	0	0.0	0	0.0	3,407	16.2
Middle Income	15	75.0	16,583	78.7	1,137	6.9	5,032	23.9
Upper Income	5	25.0	4,478	21.3	198	4.4	9,437	44.8
Total Assessment Area	20	100.0	21,061	100.0	1,335	6.3	21,061	100.0

TABLE 6
Evanston Assessment Area Demographics

<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>		<i>Rental</i>		<i>Vacant</i>		
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle Income	28,242	17,262	79.4	61.1	5,823	20.6	5,157	18.3
Upper Income	6,073	4,486	20.6	73.9	994	16.4	593	9.8
Total Assessment Area	34,315	21,748	100.0	63.4	6,817	19.9	5,750	16.7
<i>Income Categories</i>	<i>Total Businesses by Tract</i>	<i>Businesses by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	3,704	84.5	3,345	84.8	220	80.0	139	85.3
Upper Income	677	15.5	598	15.2	55	20.0	24	14.7
Total Assessment Area	4,381	100.0	3,943	100.0	275	100.0	163	100.0
Percentage of Total Businesses:				90.0		6.3		3.7
<i>Income Categories</i>	<i>Total Farms by Tract</i>	<i>Farms by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	194	89.8	193	89.8	1	100.0	0	0.0
Upper Income	22	10.2	22	10.2	0	0.0	0	0.0
Total Assessment Area	216	100.0	215	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.5		0.5		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the Department of Housing and Urban Development’s estimated median family income. For borrowers in nonmetropolitan Wyoming, the 2008 median family income is \$60,100. For purposes of classifying census tract income levels, this evaluation uses nonmetropolitan Wyoming’s 2000 median family income, which was \$45,456.

Population. According to 2000 U.S. Census data, the population in the Evanston assessment area is 77,848. The 2007 population estimate for the four counties combined is 83,054, representing an increase of approximately 6.7% since 2000. The 2000 census data also indicates approximately 6.3% of the families in the assessment area have incomes below the poverty level.

General economic and housing characteristics. The bank’s Evanston assessment area is made up of four separate counties, which include a number of distinct markets. The general economic and housing characteristics associated with each will be discussed below as they relate to that particular area or market within the assessment area.

Members of local community-based organizations familiar with the characteristics of the area were contacted to provide information on economic conditions as well as to identify community credit needs. Information from these contacts was used in evaluating the bank’s performance in the Evanston assessment area.

Uinta County. The area includes the towns of Mountain View, Lyman, Fort Bridger, and Urie, which are part of an area known as the Bridger Valley, and Evanston. Demographic and economic information indicate this area is relatively more affluent than the state as a whole. The region produces nearly one-third of the world's trona, a mineral that becomes soda ash after processing. The region also has power plants, mining, and support industries. The major industry in the region is natural resource extraction and its related services. The oil-related service industries and other businesses (such as a printing company, other retailers, and construction companies) in the area are the main reasons for the strength of the economy in Uinta County. Some oil drilling is occurring in the northeastern part of the county; however, most of the oil fields are located outside of Uinta County. According to community contacts and bank management, some individuals working in the oil fields live in Uinta County and commute to work in another county. In addition, people are moving to eastern Uinta County because of expensive land prices in adjacent Sweetwater County.

According to the community contacts and bank management, the recession has affected the area, but not to the same degree as other parts of the country. While this area has historically low unemployment levels, it is experiencing more unemployment and some layoffs. The community contact estimated the unemployment rate for Uinta County at 2% to 3%. Evanston and Uinta County have relied heavily on their rich oil and natural gas production. The prices for these commodities typically lag about a year, but the consensus forecast for 2010 is down from years past, especially the boom years when commodity prices were reaching record levels. Two local oil fields are nearing reserve depletion and may deplete their supply by 2013. While oil field workers receive good wages, usually at least \$50,000 per year, the slowdown has resulted in some layoffs. As the economy rebounds and oil and natural gas production resumes, many of the hourly wage earner jobs may not be replaced. However, the engineers and supervisors who are salaried employees may stay in the area during the recovery.

According to the community contact and bank management, the residential real estate market has lost some value, but again, not to the same degree as other parts of the country. There is very little new home construction and the existing housing inventory is on the market for longer periods. The community contact estimated the average home value for the county ranges between \$175,000 and \$200,000. While this is still affordable for some workers, many residents cannot afford a home in this range. In the past, the majority of the oil field workers resided in temporary housing such as mobile homes, apartments, and motels. In fact, the occupancy rate at local motels and hotels was extremely high during the boom years.

According to the community contact, Evanston and Uinta County will need to diversify their economies to position themselves better in the future. Oil and natural gas production is waning, so there will be a push for alternative sources of employment. The community contact mentioned there has been an increased interest in wind energy generation for Uinta County. A number of permits have been issued for wind farm tower units. In addition, because of the proximity to Salt Lake City, many residents travel there for major medical treatment. While Evanston has a local private hospital, there is a need for additional health care services.

Sweetwater County. The major cities in Sweetwater County include Rock Springs and Green River along Interstate 80 in southern Wyoming. Bank management and the community contact indicated that this area is somewhat immune to the strong economic swings. The community contact mentioned that many business owners and even consumers are waiting for signs of recovery before taking on additional spending or expansion plans. Unlike other states, Wyoming has no tax incentives for businesses, but is looking at possibly implementing a tax on food. Sweetwater County is one of the largest producers of the mineral trona, which is a major source of soda ash. Approximately 38 trona mine workers were laid off in June 2009. As the recovery begins to stabilize, some of these positions will be replaced. The area has always depended heavily on its rich mineral resources. The last few years have resulted in lower prices for certain natural resource commodities like oil, natural gas, and other extracts. However, the

community contact mentioned there are still many high-paying jobs in the area, especially in the mining, welding, and engineering fields. Many of these jobs pay in excess of \$50,000. According to the community contact, nearly 45% of the trona mine work force will be reaching retirement age within the next two years. This is especially troubling because fewer students are going to college for mining or similar industries. Replacing these workers will need to be addressed in the near future.

The community contact indicated a good supply of existing housing is available, but there is a need for more affordable housing. The community contact estimates the current average price for a single-family home is about \$190,000 to \$225,000. Most people in the area cannot afford a home in this price range. There are very few foreclosures as compared to national trends, but there are also few new housing construction starts. A 100-plus unit rental apartment complex is being built in a couple of phases, which should provide affordable rental housing for residents.

Lincoln County. According to bank management and the community contact, the Star Valley region was more reliant on agriculture and ranching-based industries in the past. However, in recent years, there has been a shift to more real estate development and recreational activities, including tourism. The area is considered desirable and is near Jackson Hole and Jackson. Few crop and dairy farms remain because the land is considered more valuable for development and construction purposes. Major employers are the school district, government agency, U.S. Forest Service, and an airplane manufacturer. Revenue received from the mining and mineral extraction in areas outside of the Star Valley is “equalized” throughout all of Wyoming.

According to the community contact, the economy has slowed, and the building boom has stopped. During the boom, the region had significant building activity, especially second and vacation homes for people from outside the area. The Star Valley appeals to people from out of state because of its beauty, recreational activities, and proximity to Jackson, Wyoming. Builders, plumbers, and electricians were very profitable while home building boom continued. In the last two years as the boom slowed and stopped, the work force moved to other areas. The increase in the number of expensive homes caused real estate taxes to increase. The community contact estimates that existing housing stock is remaining on the market longer and higher-priced homes are not selling at all. The homes that are selling are in the \$150,000 to \$200,000 range and more affordable. The Star Valley has a signature golf course, designed by Johnny Miller, which is not yet fully completed, as the developer had to file for bankruptcy. The recession has also affected commercial real estate with more empty storefronts than in the past.

Sublette County. Sublette County is a sparsely populated county bordered by three mountain ranges--the Wind River, the Wyoming Range, and the Gros Ventre. It is a destination for hunting, fishing, hiking, snowmobiling, and many other outdoor recreational activities. The major industries in Sublette County are oil and natural gas, tourism and recreation, and government. According to the 2000 U.S. Census data, the population for the entire county was 5,920. U.S. Census data estimates indicate that the county population has increased by 42.8% to 8,456 from 2000 to July 2008. Most of the increase is related to the oil boom. The county seat is Pinedale. Unemployment rates in Sublette County continue to be the lowest in the state of Wyoming and some of the lowest in the country. The unemployment rates were 1.3% and 3.2% in April 2008 and April 2009, respectively.

The bank’s assessment area is very competitive. The bank competes with a number of community banks, regional banks, national banks, and credit unions that offer a variety of credit products to consumers. According to community contacts and bank management, demand exists for all loan types.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE EVANSTON ASSESSMENT AREA

The bank demonstrates good lending performance in the Evanston assessment area. The bank’s level of lending to borrowers of different income levels and to businesses of different sizes is good, and the geographic distribution of the bank’s loans throughout the assessment area is reasonable. The bank’s community development activity level in the assessment area is satisfactory and responsive to community needs.

LENDING TEST

The Lending Test for 1st Bank reflects a good responsiveness to the credit needs in the Evanston assessment area. A sample of consumer and residential real estate loans originated in the Evanston assessment area from July 1, 2008, to December 31, 2008, was evaluated for the Lending Test, as well as the small business loans originated from January 1, 2008, to December 31, 2008.

<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Consumer	130	41.0%	\$ 1,167	4.2%
Residential Real Estate	66	20.8%	\$13,736	49.1%
Small Business	121	38.2%	\$13,098	46.7%
Total	317	100.0%	\$28,001	100.0%

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank’s performance in providing loans to borrowers of different income levels and to businesses of different sizes is very good in the Evanston assessment area. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less.

Table 8 reflects the percentages of consumer and residential real estate loans made to borrowers of different income levels during the sample period.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Consumer	40	30.8	28	21.5	16	12.3	24	18.5	22	16.9
Residential Real Estate	5	7.6	13	19.7	22	33.3	26	39.4	0	0.0
Percentage of Families by Income Levels**	15.1%		16.2%		23.9%		44.8%		NA	
Percentage of Households by Income Levels**	18.0%		14.2%		19.6%		48.2%		NA	
*Median family income for the Wyoming nonmetropolitan area is \$60,100 for 2008.										
**Based on 2000 census data.										

Consumer lending. The bank's level of lending to low- and moderate-income borrowers is excellent. The bank originated 30.8% and 21.5% of its consumer loans to low- and moderate-income borrowers, respectively. This compares very well to demographics, which indicate 18.0% and 14.2% of households in the assessment area are considered low and moderate income, respectively. The loans with unknown borrower income reflect consumer loans made to bank employees and to long-term bank customers where the income was not used in the credit decision. The bank offers a variety of closed-end and open-end consumer loan products including automobile loans, debt consolidation loans, home equity lines of credit, and unsecured loans, which enables the bank to attain very good penetration among low- and moderate-income borrowers and demonstrates its commitment to meeting credit needs in the assessment area.

Residential real estate lending. The bank's level of residential real estate lending to low- and moderate-income borrowers in this assessment area is good. The bank extended 7.6% of the residential real estate loans to low-income borrowers, although the demographics indicate 15.1% of the families in the assessment area are considered low income. The bank extended 19.7% of the residential real estate loans to moderate-income borrowers, which is actually higher than the demographics. As discussed previously, the cost of housing in this assessment area continues to be a challenge for low- and moderate-income borrowers. Although average home prices are slowly decreasing, there is still an affordability gap, especially for low-income borrowers.

Small business lending. The bank's level of lending to small businesses is good. Table 9 shows the percentage of small business loans made to businesses of different sizes.

<i>Small Business Loan Originations</i>	\leq \$100,000	> \$100,000 to \leq \$250,000	> \$250,000 to \$1 Million	<i>Total Originations</i>
Percentage of All Small Business Loans	75.2%	11.6%	13.2%	100.0%
Percentage of Loans to Businesses with Revenues Less Than or Equal to \$1 Million	79.8%	10.6%	9.6%	86.0%

The bank originated 121 small business loans during the sample period in this assessment area. According to 2008 Dun & Bradstreet data, 90.0% of businesses in the assessment area have revenues of \$1 million or less. The bank extended a majority, 86.0%, of its small business loans to entities with gross annual revenues of \$1 million or less. Though slightly lower than demographics, the level of lending is good given the competitive market in which the bank operates. In addition, the bank originated 79.8% of the loans to small businesses for amounts of \$100,000 or less and 10.6% for amounts between \$100,000 and \$250,000, demonstrating the bank's willingness to meet the credit needs of small business entities in its assessment area.

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is good.

Geographic Distribution of Loans

The distribution of the bank's loans in its assessment area is reasonable and does not reveal any unexplained gaps or lending patterns. The bank's Evanston assessment area does not contain any low- or moderate-income census tracts. The bank originated loans to borrowers and small businesses in almost all of the census tracts in its assessment area. Table 10 shows the distribution of loans in the assessment area by census tract income level.

<i>Loan Type Sample</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
	#	\$	#	\$	#	\$	#	\$
Consumer	0.0%	0.0%	0.0%	0.0%	96.2%	96.7%	3.8%	3.3%
Residential Real Estate	0.0%	0.0%	0.0%	0.0%	93.9%	93.3%	6.1%	6.7%
Small Business	0.0%	0.0%	0.0%	0.0%	93.4%	95.1%	6.6%	4.9%
Demographic Data								
Number of Census Tracts	0		0		15		5	
Percentage of Census Tracts	0		0.0		75.0		25.0	
Percentage of Households	0		0.0		80.6		19.4	
Percentage of Families	0		0.0		78.7		21.3	
Percentage of Owner-Occupied Units	0		0.0		79.4		20.6	
Percentage of Small Business Entities	0		0.0		84.8		15.2	
*Income classification of geographies based on 2000 median family income.								

The bank originated the majority of its loans in middle-income census tracts, which is reasonable given the demographics of the middle-income census tracts. According to the 2000 U.S. Census data, 78.7% of the families and 80.6% of the households in the assessment area live in the middle-income tracts. Further, 84.8% of small businesses are in the middle-income census tracts.

Overall, the bank has a good record of lending in all tracts of its assessment area. The loan data indicates the bank is actively lending throughout its assessment area. Further, the data does not indicate the bank arbitrarily restricts lending activity in any part of the assessment area. Consequently, the geographic distribution and dispersion of sampled loans reflect satisfactory performance.

COMMUNITY DEVELOPMENT TEST

The community development activity in the Evanston assessment area is very good. The bank is actively engaged in providing community development services and investments in the form of donations and it originated one community development loan. The bank's activities are responsive to the needs of the community.

The bank's strongest performance in this assessment area was its involvement in community development lending.

Community Development Loans

The bank's level of community development lending is very good. 1st Bank originated \$4.1 million in community development loans in the Evanston assessment area since the last evaluation. Table 11 illustrates the type, number, and dollar amount of qualified community development loans in the assessment area.

<i>Type of Loans</i>	<i>Number of Loans</i>	<i>Dollar Amount of Loans</i>
Affordable Housing	14	\$1,789,638
Revitalize and Stabilize	3	\$2,284,978
Economic Development	1	\$ 3,000

The bank elected to have several affordable housing loans counted towards the Community Development Test performance. The bank originated seven home loans under the WCDA loan program for first-time homebuyers who were low- or moderate-income borrowers. In addition, the bank originated several mobile home purchase and refinance loans for low- and moderate-income individuals, as well as loans to purchase mobile home parks for affordable housing. Last, the bank originated a loan for \$2,177,500 to assist with the revitalization and stabilization of a distressed area of the Evanston assessment area.

The bank's level of community development lending is very good based on the following factors. First, a number of financial institutions in the Evanston assessment area compete for community development opportunities. Second, the bank originated a variety of community development loans, including affordable housing, economic development, and revitalization and stabilization of distressed areas.

Community Development Services

The bank provides a good level of community development services in this assessment area. Sixteen bank officers and employees contributed financial skills to organizations that provide community services to low- and/or moderate-income residents and to economic development and affordable housing organizations. Bank employees provided services to nine community organizations targeting low- or moderate-income individuals, seven economic development organizations, and two affordable housing organizations. Bank staff mainly served as board members, treasurers, and committee members or provided expertise to first-time homebuyer programs. Community contacts indicated the bank has a strong presence in the community and is actively engaged in community services.

In addition to community development services, the bank opened a new branch office and two ATMs in Pinedale, Wyoming, which is located in an underserved middle-income census tract of Sublette County. In addition, the bank acquired the Rock Springs, Wyoming, branch as a result of the merger with North Side State Bank. This office is located in a distressed middle-income census tract of Sweetwater County. There are also three ATMs in Rock Springs. The bank continues to provide a free checking account product for consumers. Finally, the bank offers 24-hour telephone banking with a toll-free telephone number and Internet banking with free bill-payment services.

Community Development Investments

The bank has not purchased any qualified investments in the assessment area since the previous evaluation. The level of qualified investments in the form of donations is adequate. Since the previous evaluation, the bank made \$18,770 in qualified donations in the assessment area. Investment opportunities may be limited, but opportunities for qualified donations exist, especially with the distressed and underserved middle-income census tracts in the Evanston assessment area.

In total, the bank's community development activities are responsive to assessment area opportunities and needs. The level of community development activities in the Evanston assessment area is good.

UTAH

CRA RATING FOR UTAH: Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

SCOPE OF EVALUATION

The scope of the evaluation for Utah is consistent with the overall scope of the evaluation. The bank has one assessment area in the state of Utah; consequently, the rating for the state of Utah is based solely on the conclusions about the performance in the Morgan assessment area.

The bank's performance in the Morgan assessment area was based on quantitative and qualitative aspects under the performance criteria for the Lending Test: net loan-to-deposit ratio, lending inside the assessment area, lending in geographies of different income levels, and lending to borrowers of different income levels and to businesses of different sizes. The scope of review in the Utah assessment area also included the quantitative and qualitative factors under the Community Development Test, which focus on community development loans, qualified investments, and community development services.

The Lending Test is based on The First National Bank of Morgan's loan activity prior to the merger with 1st Bank. The Community Development Test only includes post-merger activities.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN OGDEN-CLEARFIELD, UT MSA

The bank designated one assessment area in Utah as of February 1, 2009, when 1st Bank merged with The First National Bank of Morgan. The assessment area consists of Morgan County in the Ogden-Clearfield, UT MSA. The bank currently has two branches in this assessment area, one in Morgan and one in Mountain Green. In addition, there is a cash-dispensing-only ATM at each branch.

According to the June 30, 2008, FDIC Deposit Market Share Report, The First National Bank of Morgan had total deposits of approximately \$71 million, representing 100% of the total deposits in Morgan County since it was the only bank located in the county. It ranked 15th in total deposits in the Ogden-Clearfield, UT MSA with less than 1% of the overall deposits.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	237	13.2
Moderate Income	0	0.0	0	0.0	0	0.0	391	21.7
Middle Income	2	100.0	1,798	100.0	67	3.7	453	25.2
Upper Income	0	0.0	0	0.0	0	0.0	717	39.9
Total Assessment Area	2	100.0	1,798	100.0	67	3.7	1,798	100.0

TABLE 12
Morgan Assessment Area Demographics

<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle Income	2,158	1,807	100.0	83.7	239	11.1	112	5.2
Upper Income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	2,158	1,807	100.0	83.7	239	11.1	112	5.2
<i>Income Categories</i>	<i>Total Businesses by Tract</i>	<i>Businesses by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	412	100.0	386	100.0	18	100.0	8	100.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	412	100.0	386	100.0	18	100.0	8	100.0
Percentage of Total Businesses:				93.7		4.4		1.9
<i>Income Categories</i>	<i>Total Farms by Tract</i>	<i>Farms by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	30	100.0	30	100.0	0	0.0	0	0.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	30	100.0	30	100.0	0	0.0	0	0.0
Percentage of Total Farms:				100.0		0.0		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the Department of Housing and Urban Development's estimated median family income. For borrowers in the Ogden-Clearfield, UT MSA, 2008 median family income is \$65,000. For purposes of classifying census tract income levels, this evaluation uses the relevant area's 2000 median family income for the Ogden-Clearfield, UT MSA, which was \$54,158.

Population. According to 2000 U.S. Census data, the population in the Morgan assessment area is 7,129. Much of the population resides in and around the city of Morgan. The 2007 population estimate for Morgan County is 8,357, an increase of 17.2%. According to bank management and the community contact, Morgan County ranks second in per capita income in the state of Utah. The 2000 census data also indicates approximately 5.3% of the families in the assessment area have incomes below the poverty level, which is slightly lower than the MSA and the state.

General economic and housing characteristics. A member of a community-based organization familiar with the characteristics of the area was contacted to provide information on economic conditions as well as to identify community credit needs. Information from this contact and from bank management was used in evaluating the bank's performance in the Morgan assessment area. According to bank management and the community contact, the overall economy for the Morgan assessment area had been growing until recently. Now, activity and growth have become stagnant. According to the community

contact, the area once relied heavily on agricultural-based industries related to rural crop farming and livestock production. Alfalfa, grain, and dairy production drove the area's agricultural economy. However, greater expansion from Salt Lake City and Ogden has encroached on the Morgan area. In addition, the short growing season for farmers makes the decision to sell land to developers appealing. As a result, farmers and ranchers are selling their land for residential and commercial real estate development. Morgan is the headquarters for the Browning Arms Company, an outdoor sporting goods manufacturer and the county's largest employer. Other large employers are the school district, government offices, and a cement company. The area has not experienced the level of economic decline as has occurred nationally, but there is evidence of a slowdown especially in the commercial and residential real estate construction.

Morgan County is also a tourist destination because of its proximity to the Wasatch mountain range. Its local attractions, amenities, and recreational activities make the area appealing to visitors. According to the community contact, the unemployment rate is consistent with the statewide average of about 5%. Affordable housing continues to be a challenge for people in the assessment area. The cost of housing had been increasing for the last few years, which makes it difficult for low- and moderate-income families. The community contact indicated the cost of housing is now slowly decreasing, but there is still an affordability gap.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MORGAN ASSESSMENT AREA

The lending performance in the Morgan assessment area was adequate. The level of lending to borrowers of different income levels and to businesses of different sizes was adequate, and the geographic distribution of loans throughout the assessment area was reasonable. 1st Bank's community development activity level in the assessment area is reasonable for the short evaluation period.

LENDING TEST

The Lending Test reflects an adequate responsiveness to the credit needs in the Morgan assessment area. A sample of consumer and residential real estate loans originated in the Morgan assessment area from July 1, 2008, to December 31, 2008, was evaluated for the Lending Test, as well as small business loans originated from January 1, 2008, to December 31, 2008.

<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Consumer	22	44.0%	\$ 189	4.3%
Residential Real Estate	13	26.0%	\$3,479	78.3%
Small Business	15	30.0%	\$ 772	17.4%
Total	50	100.0%	\$4,440	100.0%

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

Lending to borrowers of different income levels and to businesses of different sizes was reasonable in the Morgan assessment area. For this criterion, emphasis is placed on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less.

Table 14 reflects the percentages of consumer and residential real estate loans made to borrowers of different income levels during the sample period.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	%	#	%	#	%	#	%	#	%
Consumer	8	36.4	6	27.3	3	13.6	4	18.2	1	4.5
Residential Real Estate	0	0.0	1	7.7	5	38.5	7	53.8	0	0.0
Percentage of Families by Income Levels**	13.2%		21.7%		25.2%		39.9%		NA	
Percentage of Households by Income Levels**	15.8%		20.1%		21.9%		42.2%		NA	
*The 2008 median family income for the Ogden-Clearfield, UT MSA is \$65,000.										
**Based on 2000 census data.										

Consumer lending. The level of lending to low- and moderate-income borrowers was excellent. The bank originated 36.4% and 27.3% of its consumer loans to low- and moderate-income borrowers, respectively. This compares favorably to demographics, which indicate 15.8% and 20.1% of households in the assessment area are considered low and moderate income, respectively. The bank offered a variety of closed-end and open-end consumer loan products including automobile loans, debt consolidation loans, home equity lines of credit, and unsecured loans, which enabled it to attain very good penetration among low- and moderate-income borrowers.

Residential real estate lending. The level of residential real estate lending to low- and moderate-income borrowers in this assessment area was reasonable. The bank did not extend any residential real estate loans to low-income borrowers, although the demographics indicate 13.2% of the families in the assessment area are considered low income. The bank extended 7.7% of the residential real estate loans to moderate-income borrowers, while the demographics indicate 21.7% of the families in the assessment area are considered moderate income. As discussed previously, the cost of housing in this assessment area continues to be a challenge. Although average home prices are slowly decreasing, there is still an affordability gap. In addition, the bank referred residential real estate loans to the secondary market, so the data may not have fully captured the bank's ability to meet the credit needs of low- and moderate-income borrowers. Given the assessment area characteristics, the level of residential real estate lending to low- and moderate-income borrowers was reasonable.

Small business lending. The level of lending to small businesses was reasonable. Table 15 shows the percentage of small business loans made to businesses of different sizes.

<i>Small Business Loan Originations</i>	<i>≤ \$100,000</i>	<i>> \$100,000 to ≤ \$250,000</i>	<i>> \$250,000 to \$1 Million</i>	<i>Total Originations</i>
Percentage of All Small Business Loans	86.7%	6.7%	6.7%	100.0%
Percentage of Loans to Businesses with Revenues Less Than or Equal to \$1 Million	77.8%	11.1%	11.1%	60.0%

The bank originated 15 small business loans during the sample period in this assessment area. According to 2008 Dun & Bradstreet data, 93.7% of businesses in the assessment area have revenues of \$1 million or less. The bank extended 60% of its small business loans to entities with gross annual revenues of \$1 million or less. Though lower than demographics, the level of lending is good given the competitive market in which the bank operates. In addition, the bank originated 77.8% of the loans to small businesses for amounts of \$100,000 or less and 11.1% for amounts between \$100,000 and \$250,000, demonstrating the willingness to meet the credit needs of small business entities in its assessment area.

Overall, the level of lending to borrowers of different income levels and to businesses of different sizes was good.

Geographic Distribution of Loans

The distribution of loans in the assessment area is reasonable and does not reveal any unexplained gaps or lending patterns. The Morgan assessment area only contains middle-income census tracts. The bank originated loans to borrowers and small businesses in both census tracts in its assessment area. The data does not indicate the bank arbitrarily restricted lending activity in any part of the assessment area. Consequently, the geographic distribution and dispersion of sampled loans reflect reasonable performance.

COMMUNITY DEVELOPMENT TEST

The community development activity in Morgan assessment area is reasonable. 1st Bank elected to have community development activities reviewed as of the date of merger, February 1, 2009. Due to the short period of time to evaluate the community development performance, the bank's activities are reasonable.

The bank originated one community development loan for \$150,000. It did not make any qualified investments in this time period. Two bank employees provided community development services to two nonprofit organizations that provide services to low- and moderate-income people.

Appendix A

Glossary of Common CRA Terms

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
 - a. Rates of poverty, unemployment, and population loss or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

Low-income: Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

Small loan to farm: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)