



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 23, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Buffalo
Charter Number 3299**

**141 South Main Street
Buffalo, WY 82834**

**Comptroller of the Currency
ADC - Montana, Wyoming, Idaho & Utah
2795 East Cottonwood Parkway Suite 390
Salt Lake City, UT 84121**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Buffalo's lending performance in relation to assessment area (AA) credit needs is satisfactory. The bank has demonstrated its ability to meet the credit needs of its AA through satisfactory performance in lending to small businesses and farms and low- and moderate-income individuals. The following information further describes the bank's performance under the Community Reinvestment Act:

- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank makes a majority of its loans within the AA.
- The bank's lending patterns reflect good distribution of credit among borrowers of different income levels and businesses and farms of different revenue size.
- The geographic distribution of loans reflects a reasonable dispersion of loans throughout the AA.

DESCRIPTION OF INSTITUTION

The First National Bank of Buffalo (FNB) is a community bank located in Buffalo, Wyoming. As of June 30, 2002, the bank had \$108 million in assets and net loans totaling nearly \$73 million, or 68 percent of total assets. FNB has only one office and one proprietary Automated Teller Machine (ATM) located at the banking location. FNB neither opened nor closed any branch offices during the evaluation period.

First National Buffalo Bankshares, Incorporated, a one-bank holding company located in Buffalo, Wyoming, owns 90 percent of the bank's stock. The remaining ownership is distributed among the bank's directors. The bank is the holding company's primary asset.

The bank's primary lending focus is on commercial, commercial real estate, and agriculture loans. Table 1 lists the composition of the bank's loan portfolio by loan type as of June 30, 2002.

Table 1 LOAN PORTFOLIO COMPOSITION June 30, 2002	\$ (000)	Percent
Commercial Loans	\$17,549	23%
Commercial Real Estate Loans	17,080	23
1 – 4 Family Residential Real Estate Loans	8,625	12
Other Real Estate Loans	4,981	7
Agriculture Loans	13,922	19
Consumer Loans	10,169	14
Other Loans and Leases	1,384	2
Total	\$73,710	100%

Source: Consolidated Report of Condition for June 30, 2002

The bank provides a full range of depository services and products. No financial, legal, or other impediments limit the bank's ability to meet the credit needs of its assessment area. FNB received a Satisfactory rating at its August 14, 1997 CRA examination.

DESCRIPTION OF JOHNSON COUNTY, WYOMING

FNB designated all of Johnson County, Wyoming, as its assessment area (AA). The AA meets the requirements of the regulation. Johnson County, Wyoming, is located in north-central Wyoming. The city of Buffalo is the largest community in the county. Sheridan is 35 miles to the north, Gillette 70 miles to the east, Casper 112 miles to the south, and Worland is 90 miles to the west. According to the U.S. Census Bureau, the 2000 population of Johnson County was 7,075. The AA consists of four block numbering areas (BNAs). There are three middle-income BNAs and one moderate-income BNA. The U.S. Department of Housing and Urban Development (HUD) records the updated non-metropolitan statistical area median family income as \$45,500 for 2001. The U.S. Census Bureau lists the 2000 median value of owner-occupied housing units in the county at \$115,500.

Table 2 DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	1,754
Number of Households	2,405
Number of Low-Income Families	379
% of Low-Income Families	21%
Number of Moderate-Income Families	415
% of Moderate-Income Families	24%
Number of Middle-Income Families	403
% of Middle-Income Families	23%
Number of Upper-Income Families	557
% of Upper-Income Families	32%
<i>Geographies</i>	
Number of BNAs	4
% Low-Income BNAs	0
% Moderate-Income BNAs	1
% Middle-Income BNAs	3
% Upper-Income BNAs	0
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	32,096
2001 HUD-Adjusted MFI	45,500
<i>Economic Indicators</i>	
Unemployment Rate 2Q2002	2.8%
2000 Median Housing Value	\$115,500
% of Households Below Poverty Level	7.2%

Source: U.S. Census Bureau

The dominant industries based on number of jobs in the AA are government, services, trade, mining, and construction. The AA's unemployment rate as of June 2002 was 2.8 percent compared to the State of Wyoming's unemployment rate of 4.1 percent at the same date.

The financial services sector is competitive. The June 30, 2001, FDIC Deposits Market Share Report shows four financial institutions competed for \$185 million of insured deposits. The institutions are FNB (47 percent of total insured deposits), First Interstate Bank (18 percent), Buffalo Federal Savings and Loan Association (18 percent), and Wyoming Bank and Trust Company, National Association (17 percent).

Examiners contacted one government entity and reviewed community contacts performed by OCC or other regulators. The contacts identified affordable housing as one of the area's primary credit needs. The contacts indicated area financial institutions are satisfactorily meeting the area's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation of the bank's lending performance is based upon the review of loans originated in 2000, 2001 and 2002. The tables included in this section use cumulative data from these three years.

For purposes of this review, we determined that the bank's primary loan types are commercial loans, agricultural loans, and consumer loans. FNB's highest loan volume in terms of dollars lent was in commercial loans followed by agricultural loans. FNB's highest loan volume in terms of number of loans made was consumer loans. Accordingly, we focused our review on these primary loan types. To obtain our sample, we randomly selected 20 commercial loan originations, 20 agricultural loan originations, and 20 consumer loan originations for a total of 60 loans sampled.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. As of June 30, 2002, the bank's eight-quarter average loan-to-deposit ratio is 72 percent. The loan-to-deposit ratio over the same time period for similarly situated banks was 69 percent. Similarly situated banks are those banks of similar business lines and comparable asset size operating in the same geography.

AVERAGE LOAN-TO-DEPOSIT RATIO		
Institution	Assets as of 6/30/2002 (in 000s)	Average Loan-to-Deposit Ratio
Bank A	\$155,699	38.35%
Bank B	103,998	77.89%
Bank C	35,415	89.72%
First National Bank of Buffalo	108,314	71.91%

Source: Uniform Bank Performance Reports

Lending in Assessment Area

The bank's level of lending within the AA is satisfactory. Our sample of commercial, agricultural, and consumer loans originated since the previous CRA examination indicates the majority of loans, by number and by dollar volume, are originated within the AA. Table 4 illustrates these findings:

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	13	65.0	\$ 498	61.6	7	35.0	\$ 310	38.4
Agricultural	12	60.0	587	64.2	8	40.0	327	35.7
Consumer	16	80.0	155	81.5	4	25.0	35	18.5
Total Reviewed	41	68.3	\$1,240	64.8	19	31.7	\$ 672	35.2

Source: Examiner loan sample.

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

The bank's lending patterns reflect good distribution of credit among borrowers of different income levels and businesses and farms of different revenue size. Loan originations are well distributed among low-, moderate-, middle-, and upper-income level borrowers and are representative of the income demographics of the AA.

Business Purpose Loans

The distribution of business loans reflects, given the demographics of the AA, reasonable penetration of businesses of different sizes. Businesses with annual gross revenues of less than \$1 million are designated as "small businesses." The AA demographic data shows that "small businesses" total 87 percent of AA businesses. We sampled 20 commercial loans originated in 2000, 2001, and 2002 and found that 85 percent of the sample by number and 66 percent by dollar amount were to small businesses, as shown in Table 5.

BORROWER DISTRIBUTION OF LOANS TO SMALL BUSINESSES			
Business Revenues	≤ \$1,000,000	> \$1,000,000	Not Reported
AA Businesses	87%	6%	7%
% of Bank Loans in AA by #	85%	15%	0%
% of Bank Loans in AA by \$	66%	34%	0%

Source: Examiner loan sample and Dunn and Bradstreet.

Based on dollar volume, FNB's percentage of loans to small businesses is lower than demographics. This number is skewed by one large loan in the sample to a business with revenues greater than \$1 million. We consider this reasonable because, generally, larger businesses have larger borrowing needs

in terms of loan amount.

Agricultural Purpose Loans

The distribution of agricultural loans reflects, given the demographics of the AA, reasonable penetration of farms of different sizes. Farms, including ranch operations, with annual gross revenues of less than \$1 million are designated as “small farms.” The AA demographic data indicates small farms represent 97 percent of all farms in the AA. As shown in Table 6, we sampled 20 agricultural loans originated in 2000, 2001, and 2002 and found that all the agricultural loans in our sample were to “small farms.” In addition, loans originated to entities with gross annual revenues of less than \$500,000 represented 90 percent of the sample by number and 24 percent by dollar amount.

Table 6 AGRICULTURAL BORROWERS				
Revenues	Loan Distribution by Number of Loans		Loan Distribution by Dollar Amount of Loans	
	Number	Percent	Dollar Amount	Percent
\$0 – 100,000	8	40.0%	\$215,500	23.6%
\$100,001 – 250,000	7	35.0	202,960	22.2
\$250,001 – 500,000	3	15.0	281,000	30.7
\$500,001 – 1,000,000	2	10.0	215,000	23.5
More than \$1,000,000	0	0.0	0	0.0
Total	20	100.0%	\$914,460	100.0%

Consumer Loans

The distribution of consumer loans reflects excellent penetration among individuals of different income levels (including low- and moderate-income). The following table indicates FNB’s lending to low-income borrowers and moderate-income borrowers significantly exceeds the percentage of households in those income categories.

Table 7 CONSUMER LOANS BY BORROWER INCOME LEVEL					
Borrower Income Level	Loan Distribution by Number of Loans		Loan Distribution by Dollar Amount of Loans		% of AA Households by Income Level Category
	Number	Percent	Dollar Amount	Percent	
Low-income	8	40%	\$ 33,738	19%	30%
Moderate-income	9	45	42,738	24	19
Middle-income	0	0	0	0	16
Upper-income	3	15	94,338	57	34
Total	20	100%	\$190,655	100%	100%

Source: Examiner loan sample and updated U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion of loans throughout the AA.

Commercial Loans

Demographics = 19 percent of businesses in AA located in moderate-income BNA. FNB's lending to businesses in moderate-income area is higher than demographics by number of loans – less by dollar amount of loans. Two high-dollar loans skewed the dollar amount of loans made to businesses in middle-income areas.

Table 9 GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS								
BNA Income Level	Low		Moderate		Middle		Upper	
% of AA Businesses	0%		3%		97%		0%	
Sampled Loans	% of Number	% of Amount						
	0%	0%	25%	6%	75%	94%	0%	0%

Source: U.S. Census Bureau and Examiner loan sample.

Consumer Loans

FNB's consumer loans in this BNA by number and by dollar amount as a percentage of our total consumer loan sample exceeds the percentage of the AA's households in this area. The single moderate-income BNA is in a rural location and contains only eight percent of the AA's households.

Table 8 GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS								
BNA Income Level	Low		Moderate		Middle		Upper	
% of AA Households	0%		8%		92%		0%	
Sampled Loans	% of Number	% of Amount						
	0%	0%	10%	13%	90%	87%	0%	0%

Source: U.S. Census Bureau and Examiner loan sample.

Agricultural Loans

The bank's level of farm loans in the moderate-income BNA is substantially higher than the percentage of AA farms located in the BNA (19 percent) both by number of loans and by dollar amount of loans.

Table 9**GEOGRAPHIC DISTRIBUTION OF AGRICULTURAL LOANS**

BNA Income Level	Low		Moderate		Middle		Upper	
% of AA Farms	0%		19%		81%		0%	
Sampled Loans	% of Number	% of Amount						
	0%	0%	35%	48%	65%	52%	0%	0%

Source: U.S. Census Bureau and Examiner loan sample.

Responses to Complaints

PNB has not received any CRA-related complaints during this evaluation period.

Fair Lending Review

An analysis of four years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.