



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 10, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank, Torrington
Charter Number 14506**

**2120 Main Street
Torrington, WY 82240**

**Comptroller of the Currency
Denver Field Office
1099 18th Street Suite 2650
Denver, CO 80202**

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.

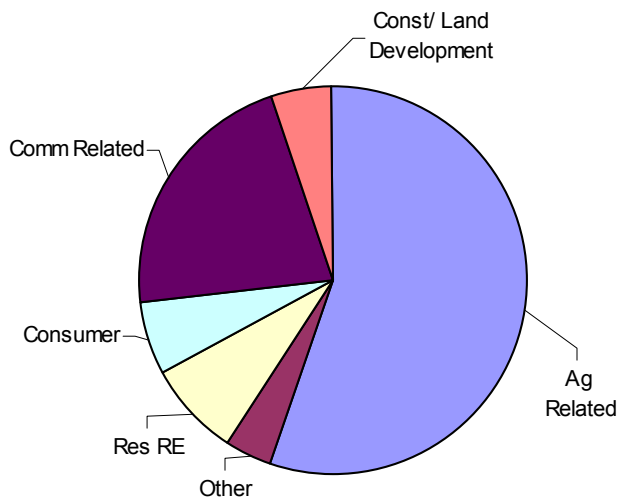
A satisfactory rating is appropriate given the bank's demonstrated ability to meet the credit needs of the community including loans to small businesses and small farms. Specifically:

- The loan-to-deposit ratio is reasonable and compares favorably to area financial institutions of similar size and product mix.
- A substantial majority of loans by number and dollar volume are originated within the bank's assessment area.
- The level of lending to farms and businesses in the assessment area strongly demonstrates good penetration at all income levels, particularly small farms and small businesses.

First National Bank, Torrington is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

First National Bank, Torrington (FNBT) is a \$92 million community bank located in Goshen County, Wyoming. The main bank is located in Torrington, Wyoming, with three branches in Pine Bluffs, Douglas, and Lingle, Wyoming. The branches in Pine Bluffs and Douglas were opened in 2001. The bank has a total of four ATMs, one located at each branch and the main bank. FNBT is a subsidiary of First Nebraska Bancs, Inc. (FNBI), located in Sidney, Nebraska. The holding company is comprised of three other banks and an insurance company. The total assets of FNBI are \$231 million as of December 31, 2001.



Loan Portfolio Composition

FNBT offers a variety of loan products including agricultural, commercial, construction, residential real estate, and consumer loans. The chart reflects the composition of the bank's loan portfolio by dollar volume. Agricultural loans include production and farm loans secured by real estate. Industrial and nonresidential property-secured loans are included in the commercial loan volume. The bank also extends residential home equity loans and other consumer loans, although they are not a significant portion of the bank's total loans.

The recent opening of the branch in Douglas, Wyoming has increased consumer loan volume. Net loans represent 69 percent of the bank's total assets.

This Performance Evaluation is an assessment of the bank's CRA performance from June 27, 1997, through January 10, 2002. FNBT received a "Satisfactory" rating at its June 27, 1997, CRA evaluation. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

DESCRIPTION OF FNB, TORRINGTON'S ASSESSMENT AREA

FNBT's designated Assessment Area (AA) is comprised of nine counties. Six counties are located on the eastern edge of Wyoming and three counties are located in the panhandle of western Nebraska. The counties are contiguous. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. One of the counties located in Wyoming is a designated metropolitan statistical area (MSA). The other eight counties are non-MSA designated. The bank's AA contains 54 census tracts. One tract is

designated low income, 16 are moderate income, 31 are middle income, 5 are upper-income, and one does not have a designation. Fifty-seven percent of the bank's AA is designated middle income and 30 percent is moderate income.

Based on 1990 U.S. Census data, there are 42,330 families residing in the bank's AA of which 21 percent are low income, 20 percent are moderate income, 24 percent are middle income, and 36 percent are upper income. The population is concentrated in the cities of Cheyenne, Wyoming and Scottsbluff, Nebraska. A further review of area demographics reflects a total of 2,716 farms are in the bank's AA. Of this total, one percent of the farms are located in the low-income tract, 21 percent are in moderate-income tracts, 67 percent are in middle-income tracts, and 11 percent are in upper-income designated tracts.

We contacted an economic development organization to discuss community credit needs and opportunities. They stated that strength of area competition has helped to ensure that credit needs in the area are being met. Overall, financial institutions are very involved in area economic development but continue to emphasize agricultural lending, and are reluctant to provide loans for start-up businesses or new ventures.

FNBT's lending focus is agricultural and commercial loans. We did not review consumer or real estate loans as part of our review due to their low percentage of the total portfolio. In 2002, the bank became a Home Mortgage Disclosure Act (HMDA) reporter. However, we did not perform a HMDA review as there was not sufficient information for an analysis. For the purposes of this report, we have combined the MSA and non-MSA counties to derive our comparative conclusions. The following description explains in further detail the characteristics of the non-MSA portion and the MSA portion of the bank's AA.

Converse, Niobrara, Platte, Weston, and Goshen County, Wyoming

These five counties are representative of the largest portion of the bank's AA. They are in a designated non-MSA. These counties contain 22 tracts, of which 1 is low income, 6 are moderate income, 14 middle income, and 1 is non-designated. There are no upper-income tracts in this non-MSA portion of the AA. Communities in Converse County include Glenrock and Douglas, the location of one FNBT branch. Niobrara County includes the small towns of Lusk and Van Tassel. Platte County towns include Guernsey, Glendo, Chugwater, and Wheatland. This county also includes Guernsey Dam and Glendo Dam, serving as a tourist attraction for fishing and boating enthusiasts. Weston County is located in the northeastern area of the bank's AA and includes the towns of Newcastle and Upton. It is the furthest location from the bank and its branches. Goshen County is situated north of Laramie County and is the location of the bank in the town of Torrington and a branch in the town of Lingle.

Economic conditions in these counties are stagnant. This part of the state is rural, and is experiencing no growth or slow growth. Average employment growth for these five counties averaged 2.6 percent in 2000, with Converse County experiencing the highest rate of 4.9 percent. Unemployment is low, ranging from 3 percent in Niobrara County to 4.5 percent in Weston

County. The economy is largely dependent on agriculture and related service businesses. Major crops in the area are corn, hay, sugar beets, and beans. Livestock production is also strong in this area of the state. The 2000 population for these counties is approximately 29,500.

There is considerable competition for financial services in these counties, particularly in Goshen County, where FNBT has their bank and branch. There are 20 institutions in this five-county portion of the AA, including commercial banks, savings banks, and credit unions. Of these 20 institutions, 30 percent are located in Goshen County. Primary industries in the Torrington area include ranching, sugar processing, and ethanol production. Major area employers are Holly Sugar, the school district, and Eastern Wyoming College.

Laramie County, Wyoming

The Laramie County portion of the bank's AA is in a designated MSA. It consists of 7 moderate-income tracts, 7 middle-income tracts, and 4 upper-income tracts. There are no low-income tracts in Laramie County. The county is located in the southeastern portion of Wyoming, bordering Colorado on the north and Nebraska on the east. This county is the most populated county in Wyoming with 53 thousand people. Over 80 percent of the land in the county is range and crop land. The state capital of Cheyenne is located in Laramie County. Federal, state, and local government employment dominates the local economy. Another major employer in the area is Warren Air Force Base, which keeps the population relatively stable at approximately 70 thousand. It is also a rail and highway transportation hub. The Department of Housing and Urban Development (HUD) updated MSA median family income for the county is \$45,800.

Economic conditions are good. The 2000 unemployment rate for Laramie County is less than 3 percent. Agriculture continues to be an important force in the local economy, primarily in the area of livestock and crop production. A recent trend to convert agricultural land to urban development has been identified by state leaders, and land use decisions are taking on more importance. There is considerable competition among financial institutions in the area. This includes three regional banks, seven community banks, and eleven credit unions. Consequently, there is significant pressure to maintain a marketing presence in the MSA.

Scotts Bluff, Banner, and Sioux County, Nebraska

The remaining portion of the FNBT's AA is located in the Panhandle of Nebraska and lies directly east of the Wyoming border. These counties are largely rural and not located in an MSA. It consists of 13 tracts, of which 3 are moderate income, 9 are middle income, and 1 is upper income. There are no low-income tracts in the Nebraska portion of the bank's AA. The Nebraska includes the towns of Scottsbluff, Gering, Mitchell, and Morrill. Total 2000 population based on U.S. Census Bureau statistics is 39,245. The 2001 updated HUD estimated median family income for the Nebraska portion of the AA is \$45,000.

The economy for these counties is stable and continues to show improvement. With the exception of the farming sector, which is still experiencing depressed grain and commodity prices, the area is becoming more diversified toward services and retail trade. Agriculture and livestock production continues to provide a significant amount of jobs and related manufacturing services. Major employers in the Scottsbluff area include Regional West Medical Center, Aurora Loan Services, and Sykes Enterprises. The U.S. Bureau of Labor Statistics shows average unemployment ranging from 1 percent to 5 percent in this portion of the AA. Banner and Sioux Counties have low populations and are concentrated in farming and ranching. Population in these counties is declining.

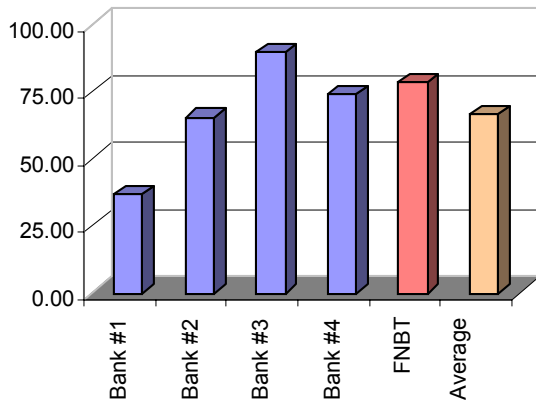
FNBT has strong competition from other financial institutions in this portion of the AA. There are 15 banks and savings institutions. This includes state banks, savings banks, and branches of regional banks. Competition, coupled with the lack of a branch in this area, has impacted the bank's ability to have a strong presence in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank does a good job of meeting the credit needs of its AA, including lending to small businesses and small farm.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable and compares favorably to area banks of similar size and product mix.



As of September 30, 2001, the bank's quarterly loan-to-deposit ratio of 78 percent is significantly above the 55 percent ratio noted at the June 27, 1997, CRA examination. The average ratios over the same time period for similarly situated banks range from 37 percent to 89 percent. Similarly situated banks are financial institutions of comparable asset size or product mix operating within the bank's AA. The chart compares FNBT's ratio to four other area banks.

Loan-to Deposit Ratios

Lending in the Assessment Area

The substantial majority of loans by number and dollar volume are originated within the bank's AA.

FNBT's level of lending is good given the bank's strong competition and assessment area needs. Our analysis of lending in the assessment area was determined from a review of two of the bank's primary loan products, agricultural loans and commercial loans. A sample of loan products originated and outstanding since the previous CRA examination indicates a substantial majority of loans are originated within the AA. The following table illustrates these findings.

LENDING WITHIN THE ASSESSMENT AREA		
Loan Type	Loans in the AA (Based on Number of Loans in Sample)	Loans in AA (Based on Dollar Amount of Loans in Sample)
Agricultural Loans	89%	71%
Commercial Loans	80%	60%

Our samples reflected that the percentage of the number of loans in the AA is stronger than the dollar amount of the loans extended in the AA. A small number of loans sampled are large loan participations purchased from affiliated banks. This caused the percent of loans by dollar amount to be lower in the AA. This also strengthens the loan-to-deposit ratio in light of strong area competition.

Lending to Farms and Businesses of Different Sizes

The level of lending to farms and businesses in the assessment area strongly demonstrates good penetration at all income levels, particularly small farms and small businesses.

Farms with annual gross revenues of less than \$1 million are designated as "small farms." The AA demographic data indicates 95 percent of all farms are small farms. We sampled 24 farm loans originated within the bank's AA and noted that 96 percent of the loans are to small farms. This slightly exceeds area demographics. The dollar volume of loans in our sample is lower at 70 percent due to one large loan made to an area borrower. The following table shows the bank originates a substantial volume of loans to farms with revenues under \$1 million. Further, a significant majority, or 87 percent of loans by number, are to farms with revenues under \$250,000.

DISTRIBUTION OF FARM LOANS BY ANNUAL REVENUE					
Annual Revenues	Number of Loans	Percent of Loans (Based on Number)	Total Dollar Amount \$(000's)	Percent of Loans (Based on Dollar Amount)	Percent of Farms Reported in AA
Less than \$1 million	23	96%	1,773	70%	95%
More than \$1 million	1	4%	750	30%	5%
Total	24	100%	2,523	100%	100%

Commercial loan originations within the bank’s AA demonstrate that the bank is extending loans to businesses of various sizes, with the majority to small businesses. Businesses with gross annual revenues of \$1 million or less are designated “small business.” We reviewed a sample of 20 commercial loans to determine the level of lending to businesses of different sizes. A substantial majority of commercial loans by number and dollar volume are made to businesses with revenues under \$1 million. The bank exceeds demographics for commercial lending, as 95 percent of the loans in our sample were to small businesses. In addition, 65 percent of the loans by number are to businesses with annual revenues under \$250,000. The table below outlines the distribution of commercial loans in the bank’s AA.

DISTRIBUTION OF COMMERCIAL LOANS BY ANNUAL REVENUE					
Annual Revenues	Number of Loans	Percent of Loans (Based on Number)	Total Dollar Amount \$(000's)	Percent of Loans (Based on Dollar Amount)	Percent of Businesses Reported in AA
Less than \$1 million	19	95%	2,200	97%	94%
More than \$1 million	1	5%	78	3%	6%
Total	20	100%	2,278	100%	100%

Geographic Distribution of Loans

The geographic distribution of loans to farms and businesses is reasonable.

Loan penetration is concentrated in the census tracts surrounding the main bank facility in Torrington and the Lingle branch, but there are no unexplained gaps in lending. Lending patterns reflect the concentration of moderate- and middle-income tracts. It also shows that loans to farms in moderate-income tracts exceeds area demographics. No farm loans were

identified in the upper-income tracts, which are concentrated around Cheyenne, Wyoming, where the bank does not have a branch. Only 1 percent of the farms are in the low-income tract, which is located in the far northwest corner of the bank's AA. Two of the branches located in Pine Bluffs and Douglas, Wyoming, were opened within the last year and are still in the process of building a customer base. The Douglas branch in particular has attracted consumer lending, which was not part of our review during this CRA examination. In addition, the bank faces significant competition in its AA, including 28 state and national banks and branches. Local farm credit associations also provide additional competition for FNBT's primary lending product, agriculture loans. The table illustrates the geographic distribution of the bank's agriculture lending within the assessment area by income tract.

GEOGRAPHIC DISTRIBUTION OF FARM LOANS				
Tract Income Level	Number of CTs	Percent of Farms in Tracts	Percent of Loans (By Number)	Percent of Loans (By Dollar Volume)
Low	1	1%	0%	0%
Moderate	16	21%	67%	36%
Middle	31	67%	33%	64%
Upper	5	11%	0%	0%
Non-designated	1	0%	NA	NA
Total	54	100%	100%	100%

The above table reflects that the sample of FNBT farm loans are concentrated primarily in the moderate- and middle-income census tracts. This is reasonable because 30 percent of the census tracts in the bank's AA are designated as moderate income and 57 percent of the tracts are middle income.

The following table for geographic distribution of commercial loans shows that loans are also concentrated in the moderate- and middle-income census tracts. The bank's commercial loans are above demographics when comparing percent of businesses in moderate-income tracts to loans extended in these tracts. As mentioned previously, the low-income tract is sparsely populated and a significant distance from the bank and branches. The upper-income areas do not reflect penetration given the stiff competition in the Cheyenne market, where these tracts are located.

GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS				
Tract Income Level	Number of CTs	Percent of Businesses in Tracts	Percent of Loans (By Number)	Percent of Loans (By Dollar Volume)
Low	1	4%	0%	0%
Moderate	16	20%	55%	55%
Middle	31	60%	45%	45%
Upper	5	16%	0%	0%
Non-designated	1	0%	NA	NA
Total	54	100%	100%	100%

Qualified Investments

Our review of the bank’s investments identified a noteworthy community development investment the bank has utilized to provide health care facilities to low- and moderate-income individuals. FNBT currently has a \$225 thousand investment in Converse County Hospital Revenue Bonds to fund improvements to the hospital. Over 40 percent of the hospital revenues are derived from patients eligible for Medicaid, Medicare, and managed care. The facility for this investment is located in a moderate-income tract in the bank’s AA. This investment underscores the bank’s commitment to support enhancements to their community that have a positive impact on low- and moderate-income borrowers.

Response to Complaints

The bank has not received any complaints during this evaluation period.

Record of Compliance with Antidiscrimination Laws

An analysis of 1997-2001 small business and small farm lending data, 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 June 30, 1994.