



PUBLIC DISCLOSURE

May 18, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Fleming
Charter Number 11571

201 N. Logan
Fleming, CO 80728

Office of the Comptroller of the Currency
Denver Field Office
1225 17th Street
Suite 450
Denver, CO 80202-5534

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

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

- The loan-to-deposit ratio of 81 percent is reasonable.
- A majority of loans by number and dollar volume are originated within the bank's assessment area (AA).
- The bank's pattern of lending to small agricultural borrowers reasonably reflects area demographics.
- There have been no complaints about its performance and there is no evidence of illegal discrimination or other illegal credit practices.

The First National Bank of Fleming (FNB Fleming) is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

SCOPE OF EXAMINATION

We performed a full scope review of the bank's assessment area (AA). The bank's AA includes all census tracts within Logan, Phillips, and Sedgewick Counties. Our review focused on the bank's primary lending products. Specifically, we sampled 25 agricultural production and farmland loans originated between February 4, 2013 and April 29, 2015. We also analyzed the geographic distribution of loans as the bank's AA includes one moderate-income census tract while the remainder of the AA is comprised of middle-income tracts. We also contacted a community representative in the AA as part of this review.

DESCRIPTION OF INSTITUTION

FNB Fleming is a \$23 million bank in eastern Colorado. The bank is wholly owned by Fleming Community Agency, Inc., a one-bank holding company headquartered in Fleming, Colorado. FNB Fleming accounts for substantially all the assets of Fleming Community Agency, Inc.

The bank operates one facility in Fleming, Colorado. This is a full-service bank with a drive-up facility.

The primary loan products by dollar volume are agricultural production loans and farmland loans. Loans for agricultural production and farmland account for 71 percent of total loans. Our rating of the bank's CRA performance is based on an analysis of these products. The table below illustrates the bank's mix of loan products.

Loan Portfolio Composition as of March 31, 2015		
Loan Category	\$ (000)	%
1-4 Family Residential	\$1,235	8
Agriculture Production	\$7,527	46
Agriculture Farmland	\$4,067	25
Commercial and Industrial	\$1,606	10
Commercial Real Estate	\$1,052	6
Other Consumer	\$889	5
Total	\$16,376	100

Source: March 31, 2015 Report of Condition

Net loans represent 77 percent of the bank's total assets. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

FNB Fleming received a "Satisfactory" rating at the last CRA examination dated October 6, 2009.

DESCRIPTION OF ASSESSMENT AREA(S)

Management has designated all of Logan County, Phillips County, and Sedgewick County as its AA. The entire AA is comprised of eight middle-income census tracts and one moderate-income census tract. The AA is approximately 140 miles northeast of Denver in the northeast corner of Colorado. Towns in the area include Sterling, Haxtun, and Atwood. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific demographic and economic data is provided below.

Demographic and Economic Characteristics of Assessment Area	
Population	
Number of Families	7,423
Number of Households	11,020
Geographies	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	11.11
% Middle-Income Census Tracts/BNA	88.89
% Upper-Income Census Tracts/BNA	0
Median Family Income (MFI)	
2010 MFI for AA	\$53,393
2014 HUD-Adjusted MFI	\$57,600
Economic Indicators	
Unemployment Rate	3.53%
2014 Median Housing Value	\$114,539
% of Households Below Poverty Level	11.97%

Source: 2010 Census Data and HUD updated income data

The 2014 Department of Housing and Urban Development (HUD) updated non-MSA median family income for the AA is \$57,600. Based on 2010 US Census data, there are 7,423 families residing in the AA with 44 percent deemed to be low- and moderate-income. Income designations are determined based on annual income as a percentage of MSA median family income. The local economy relies primarily on agriculture-related activities. The AA includes 615 farms and 605 are considered small farms reporting annual revenues of less than \$1 million.

The local economy is in good condition. Despite drought conditions, local farming operations have benefitted from high crop prices over the past two years. While market prices for crops have recently declined, drought conditions have also eased. The local ranching economy continues to benefit from high cattle prices. The largest employers in the area are the regional correctional facility in Sterling, the hospital in Haxtun, and the local school districts.

The bank faces minimal competition because of its remote location, small size, and focus on agricultural lending. Primary competition comes from financial institutions in the town of Sterling, which is 20 miles to the west of Fleming. FNB Fleming makes very few loans for residential or commercial real estate and therefore does not compete with larger institutions for these types of loans. The bank's large agricultural loan relationships are well established and have not shown sensitivity to competition. The smaller agricultural loan relationships are generally not large enough to draw competition from the larger financial institutions in Sterling.

We made one community contact in conjunction with this examination. The contact indicated the local economy was good. The local community is primarily agriculture-based, so the greatest credit needs are agriculture financing. The contact explained that employment opportunities are generally sufficient. Many people in smaller communities commute to Sterling for non-farm related jobs. The contact indicated there is a need for residential lending and that the larger institutions make residential loans. FNB Fleming's volume of residential lending has declined since the last CRA examination due primarily to its small size coupled with the increased regulatory compliance responsibilities from the Dodd-Frank legislation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given area competition and the credit needs of the community.

Since the previous CRA examination dated October 6, 2009, the bank's average quarterly LTD ratio is 81 percent. Average quarterly LTD ratios for similarly situated banks range from 59 to 85 percent, with an aggregate average of 71 percent during this same period. Similarly situated banks are those banks of similar size and/or business lines operating within Colorado.

Lending in Assessment Area

The bank originates a substantial majority of its loans inside the AA.

We reviewed 25 agricultural loans to determine the location of loans originated in the AA. Of the sample, 92 percent by number and 84 percent by dollar volume were originated inside the bank's AA.

Lending in the Assessment Area								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$	%	#	%	\$	%
Ag Production/ Ag Farmland	23	92.00	\$3,151,669	83.72	2	8.00	\$613,046	16.28

Source: Loan sample

Lending to Businesses and Farms of Different Sizes

FNB Fleming's pattern of agricultural loan originations to small farms is satisfactory.

We performed our analysis by reviewing income information for 20 agricultural production and farmland loans located in the AA. According to 2014 Business Demographic Data, there are 615 farms located within the bank's AA. Of this number, 98 percent reported annual gross revenues of less than \$1 million. Of the loans in our sample, 96 percent by number of loans and 94 percent by dollar amount were to farms reporting less than \$1 million in annual revenues. The following chart reflects the results of our sample of farm loans selected in the bank's AA.

Borrower Distribution of Loans to Farms in Assessment Area		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	98.37%	1.14%
% of Bank Loans in AA by #	95%	5%
% of Bank Loans in AA by \$	93%	7%

Source: Loan sample, 2014 Business Geodemographic Data

Geographic Distribution of Loans

The geographic distribution of loans in the bank's AA is reasonable.

The bank's loans are primarily located in middle-income tracts due to the nature of the geography and agricultural lending focus of the bank. The bank's AA consists of eight middle-income tracts and one moderate-income tract located in the northeastern part of Colorado. Our sample did not include any loans extended to borrowers in the moderate-income tract. This tract is located in an urban area in the city of Sterling where agricultural borrowers do not reside. Borrowers in this tract are also unlikely to

have deposit relationships with FNB Fleming due to the distance to the bank and ample supply of financial institutions operating within Sterling.

Geographic Distribution of Loans to Farms								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.00	0.00	1.79	0.00	98.21	100.00	0.00	0.00

Source: 2010 U.S. Census Data; Loan Sample

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.