



## **PUBLIC DISCLOSURE**

March 23, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Pioneer National Bank  
Charter Number: 8752

145 West Fourth Street  
Wray, CO 80758

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 59 percent is reasonable given the bank's performance context.
- A substantial 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 farms reasonably reflects area demographics.
- There have been no CRA-related complaints and there is no evidence of illegal discrimination or other illegal credit practices.

**SCOPE OF EXAMINATION**

First Pioneer National Bank's (FPNB) performance was reviewed using small bank CRA evaluation procedures, which use a lending test to evaluate an institution's record of helping to meet the credit needs of its AA. The evaluation period for this examination was December 2008 through March 2015.

Agriculture loans represent the bank's primary loan product both by dollar volume and by gross number and continue to be an important credit need in the AA. Given the bank's focus on agricultural lending, we randomly selected a sample of agricultural operating lines of credit written or renewed from January 2013 to December 2014.

**DESCRIPTION OF INSTITUTION**

FPNB is a \$177 million rural community bank located in Wray, CO, which is approximately 170 miles northeast of Denver. The main office has a drive-up facility and a deposit-taking ATM. There is also a full-service branch in Holyoke, CO, along with a cash dispensing ATM located in a gas station. FPNB is wholly owned by First Pioneer Bank Corporation (FPBC), a two-bank holding company located in Wray, CO, with consolidated assets of \$284 million as of December 31, 2014. FPBC also owns Farmer's State Bank of Brush, Brush, CO.

FPNB's lending focus is related to agriculture but the bank offers a wide variety of credit products including real estate loans, consumer auto loans, personal loans, and several commercial loan products. Lending standards are generally conservative and reflect low credit risk. Net loans to total assets were 50.68 percent as of December 31, 2014. The following chart details a breakdown of FPNB's loan portfolio:

<b>Loan Portfolio Composition as of March 24, 2015</b>			
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>	<b># of Loans</b>
Agricultural	65,978	73.70	573
Business & Commercial	12,157	13.58	210
Consumer	5,168	5.77	430
Letters of Credit	0	0	15
Lease Financing	1,291	1.44	3
Residential Real Estate	4,928	5.51	52
<b>Total</b>	<b>89,522</b>	<b>100.00</b>	<b>1,283</b>

*Source: Loan Trial Balance as of 3/24/2015*

The bank's primary loan product by dollar volume and number is agricultural loans. Our rating of the bank's CRA performance is based on an analysis of agricultural operating loans. There are no legal or financial impediments that affect the bank's ability to meet the credit needs of the AA.

FPNB received a "Satisfactory" rating at the last CRA examination dated November 3, 2008. Refer to the bank's CRA Public File for more information.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's designated AA includes Yuma and Phillips counties in Colorado. This AA is located on the northeastern edge of Colorado and encompasses two census tracts (CTs) in Yuma County and two CTs in Phillips County. All four CTs are designated as underserved nonmetropolitan middle-income geographies by the federal regulatory agencies. This designation is based on population size, density, and dispersion. Yuma and Phillips counties are bordered by Kansas and Nebraska on the east, and include the towns of Wray, Holyoke, Paoli, Idalia, Kirk, and Amherst. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

<b>Demographic and Economic Characteristics of Yuma and Phillips Counties</b>		
Population	2014	2008
Number of Families	3,991	3,909
Number of Households	5,808	5,592
Median Family Income (MFI)		
2010 MFI for AA	50,504	44,319
2014 HUD-Adjusted MFI	57,600	51,500
Economic Indicators		
Unemployment Rate	1.96	1.21
2010 Median Housing Value	114,632	80,976
% of Households Below Poverty Level	9.35	12.43

*Source: 2000 and 2010 Census data; 2008 and 2014 HUD updated income data.*

Agriculture-related activities dominate the economy in this rural farming community. Based on 2014 business demographic data, 96 percent of the farms in the AA are classified as “small farms,” which are farms with gross annual revenues under \$1 million. The main crops in this area are wheat and corn. Since 2003, prices for these commodities have risen, which has had a positive impact on the economy. Major employers in the area include Wray Community Hospital, Yuma District Hospital, Murphy-Brown of Yuma, Seaboard Foods, county and city government offices and education systems, and Pro-Health, LLC.

Competition for financial services in the AA is strong. There are numerous financial institutions in the AA including commercial banks, savings institutions, and credit unions. FPNB has a 26 percent share of local area deposits. Some of the area competition includes Bank of Colorado, a \$2.6 billion state bank with 31 percent of the local deposit share, Bank of the West, a \$68.3 billion state bank with 5 percent of local deposit share, and Wray State Bank, a \$107 million state bank with 15 percent of local deposits. FPNB also competes with the Farm Credit Administration and John Deere for agricultural loans.

We made one community contact in conjunction with this examination. The contact indicated the area economy has remained stable over the past few years, especially compared to the large economic setbacks across the nation. Some recent job loss has occurred due to oil and gas drilling moving out of the area, but most jobs are agriculturally based and employment has remained steady. The greatest credit needs continue to be small farm and small business financing, as well as civic development, such as new city facilities, government offices, police and fire departments, etc. The contact indicated area financial institutions are very responsive to the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

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

The bank’s quarterly average LTD ratio since the previous CRA examination is 59 percent, and ranged from a low of 48 percent to a high of 74 percent. The average LTD ratio of similarly situated banks for the same period was 64 percent, and ranged from 39 percent to 80 percent. Similarly situated banks are rural banks of similar size and business strategy operating within the same regional geography. While FPNB’s quarterly average is slightly below the average LTD ratio for similarly situated banks, the ratio is reasonable in light of low demand for farm loans in the AA coupled with FPNB’s generally conservative lending philosophy.

### Lending in Assessment Area

A substantial majority of the bank’s loans were made within its AA.

Our review of agricultural operating loans reflects 85 percent by number and 90 percent by dollar volume were originated within the AA. See Table 1 below for more detail.

<b>Table 1 – Lending in Phillips and Yuma Counties</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	107	84.92%	19	15.08%	126	27,737	89.81%	3,146	10.19%	30,883

*Source: loan data*

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

FPNB’s loan portfolio reflects a reasonable distribution of loans to farms of different sizes within their AA.

We sampled 28 operating loans extended in the AA and noted that 82 percent by number and 68 percent by dollar volume were originated to small farms. We placed greater weight on the number of loans because two large dollar loans to farmers with revenue over \$1 million skews the dollar distribution. This distribution reasonably compares to the area demographics, which identify 96 percent of farms as small farms.

This distribution is further supported by the fact that 68 percent of loans by number were made to small farms with less than \$500 thousand in revenue.

<b>Table 2 – Borrower Distribution of Loans to Farms in Yuma and Phillips Counties</b>				
Farm Revenues (or Sales)	<\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96.75%	1.88%	1.37%	100%
% of Bank Loans in AA by #	82%	18%	0%	100%
% of Bank Loans in AA by \$	68%	32%	0%	100%

*Source: loan sample and 2014 Census Data*

### **Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of the bank’s loans. All CTs in the AA are middle-income and an analysis would not be meaningful.

### **Responses to Complaints**

FPNB has not received any CRA-related comments or complaints during the evaluation period.

### **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.