



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Pioneer National Bank
Charter Number 8752**

**145 West Fourth Street
Wray, CO 80758**

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

First Pioneer National Bank (FPNB) is rated “Satisfactory.”

- **The bank originates a majority of its loans in its assessment areas.**

FPNB originated 85 percent by number and 80 percent by dollar volume of agricultural-related loans within its combined assessment areas. Agricultural-related farmland and production loans are the bank’s primary loan products. This ratio was determined from loan originations since the last examination that are currently on the bank’s books.

- **The average loan-to-deposit ratio since the last examination is reasonable.**

FPNB’s average loan-to-deposit ratio over the past 19 quarters is reasonable. The ratio of 72 percent satisfactorily compares to ratios of four banks with similar product mix. These banks have smaller asset size than FPNB but are rural banks whose primary focus is agricultural-based lending. The average loan-to-deposit ratio for these institutions ranges from 64 percent to 88 percent.

- **The bank has an excellent record of lending to farms of small revenue size.**

The distribution of loans to agricultural borrowers reflects excellent penetration among small farms in the bank’s two assessment areas (AAs). Small farms are defined as those businesses that have annual revenues under \$1MM. We reviewed lending performance in each AA separately. Our samples for each AA were randomly selected from loans originated since the last examination and still on the bank’s books.

The bank’s distribution of loans to small farms in the Colorado AA exceeds the demographic percentage of small farms located in the AA, based on a random sample of 20 borrowers. Demographics reflect that 94 percent of the area farms have revenues under \$1 million, and 95 percent of the bank’s loans were to small farms.

The bank’s loan distribution also exceeds the percentage of small farms located in the Nebraska AA, based on our sample of 12 farm loans. Small farm loan penetration is 100 percent compared to the demographic percentage of 94 percent of small farms in the AA. This underscores the bank’s commitment to providing loans to small farmers in the AA.

During the evaluation, the bank also extended three community development loans in the Colorado AA totaling \$267 thousand as part of the Beginning Farmer Program. The bank, in cooperation with the Colorado Agricultural Development Authority (CADA), offers this program. It encourages the investment of capital in the farming sector by making low-interest loans available to agricultural producers who meet the program criteria of a beginning farmer purchasing agricultural land or equipment.

- **Geographic distribution of farm loans in the Colorado AA is adequate. Geographic distribution was not performed in the Nebraska AA since the geographies are all middle-income and an analysis would not be meaningful.**

Geographic distribution of farm loans in the Colorado AA reflects adequate penetration when compared to the percentage of farms in the tracts. The Colorado AA includes three middle-income tracts and one moderate-income tract. The bank's lending in the moderate-income tract is below area demographics. FPNB extended 15 percent of the sampled loans to borrowers in the moderate-income tract. This compares to demographics that reflect 19 percent of farms in the Colorado AA are located in the moderate-income tract. Four percent of the dollar volume of loans in the sample were made in this tract. The bank's level of performance is mitigated due to strong competition from two other Kansas-based banks that have established branches in this tract. The lack of a branch presence impacts FPNB's penetration in the moderate-income area.

- FNB has not received any consumer complaints regarding its CRA performance during the evaluation period.
- An analysis of the 2001 and 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted with the Community Reinvestment Act (CRA) evaluation this year.

DESCRIPTION OF INSTITUTION

FPNB is a \$106 million bank located in the rural community of Wray, Colorado. This location includes a full-service automated teller machine (ATM) and drive-up facility. The bank has a branch and cash dispensing ATM located in Holyoke, Colorado. FPNB is part of a multi-bank holding company, First Pioneer Bank Corporation, with consolidated total assets of \$189 million as of December 31, 2002. The holding company has two additional subsidiary banks, a state bank in Brush, Colorado, and a national bank in Akron, Colorado.

The bank's net loans to total assets are 54 percent as of December 31, 2002. The primary loan product is agricultural loans, comprising 75 percent of the dollar volume of loans. Additional loan products include commercial loans representing 13 percent of the bank portfolio, consumer loans at 7 percent, real estate loans at 2 percent, and other loan types at 3 percent of total loans as of December 31, 2002.

FPNB received a "Satisfactory" rating at the last CRA examination, dated June 8, 1998. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the designated assessment areas.

Refer to the bank's CRA Public File for more information.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

FPNB's has designated two AAs as its effective lending territory. The Colorado AA encompasses Phillips County, Colorado, and the eastern two census tracts in Yuma County, Colorado. The Nebraska AA encompasses Dundy and Chase counties on the southwestern edge of Nebraska. The Colorado and Nebraska AAs are contiguous and meet the requirements of the regulation. They do not arbitrarily exclude low- and moderate-income areas. Although FPNB does not have a branch in the Nebraska AA, their customer base is similar in that the area is predominantly agricultural in nature and the population is low. Management stated that the majority of borrowers in the Nebraska AA are long-time bank customers.

Colorado Assessment Area

The Colorado AA is located on the northeastern edge of Colorado. The area is rural and is not a designated Metropolitan Statistical Area (MSA). The AA consists of four census tracts; three are middle income and one moderate income. Yuma and Phillips Counties border Nebraska and Kansas on the east. Towns in the area include Wray, Haxtun, Holyoke, Paoli, Idalia, Kirk, and Amherst. Wray is the county seat for Yuma County. Holyoke is the county seat for Phillips County. The largest towns are Wray and Holyoke, with populations of approximately 2,000 according to 2000 U.S. Census Bureau statistics. Other towns in the area have populations under 300. The total population for the AA is approximately 9400. The 2002 Department of Housing and Urban Development (HUD) updated median family income for the AA is \$46,000. The percent of families by income level for the AA is as follows: low income 18 percent, moderate income 23 percent, middle income 26 percent, and upper income 33 percent.

The economy of the AA is weak, with prolonged drought conditions on the Colorado eastern plains impacting crop production and related service businesses. Agriculture and related service businesses comprise the bulk of employment in the area. Products include livestock and crops such as corn, wheat, beans, and alfalfa. Cattle prices remain stable due to demand. Recent crop prices are stable but production is below normal levels. Major area employers include Wray Community Hospital, Great Plains Coop, J-W Operating Co., Seaboard Farms, and county and city government offices. While there have not been any recent business closures in the AA, several have consolidated as a result of economic conditions. Consolidations have reduced the size of the area workforce and unemployment is low.

Competition for financial services AA is strong with seven FDIC-insured financial institutions in the AA. This includes commercial banks and savings institutions. In addition, there is significant competition from non-financial institutions that finance farm equipment and other agricultural borrowing needs.

We made one community contact in conjunction with this examination. An individual from a local economic development organization indicated the economy is weak. The greatest credit needs continue to be small farm and small business financing, as a majority of the businesses in this assessment area are small farms and related service providers. Area financial institutions are responsive to these needs.

Refer to the bank's CRA Public File for more information.

Nebraska Assessment Area

The Nebraska AA is located on the southwestern edge of Nebraska. The area is rural and is not a designated Metropolitan Statistical Area (MSA). The AA consists of two counties, Chase and Dundy, containing one census tract each, which are designated middle income. The counties border Colorado on the west. Towns in the area include Benkelman, Imperial, Haigler, Parks, Champion, Wauneta, and Enders. Imperial is the county seat of Chase County and Benkelman is the county seat of Dundy County. According to 2000 U.S. Census Bureau statistics, the AA has a total population of 6300. The 2002 updated median family income for the AA is \$45,600, as determined by HUD. The percent of families by income level for the AA is as follows: low income 20 percent, moderate income 23 percent, middle income 27 percent, and upper income 30 percent.

The economy of the Nebraska AA is consistent with conditions in the Colorado AA. The weak economy has resulted from prolonged drought conditions. It has impacted crop production and the related service businesses. Recent agricultural statistics from U.S. Department of Agriculture (USDA) state that in 2002, cattle production was disrupted as shortages of hay and pasture forced ranchers to sell cattle and liquidate breeding stock. According to the 1997 Census of Agriculture from USDA, farms have continued to consolidate, making facilities larger and the demand for farm labor has correspondingly dropped. Unemployment is low due to a smaller workforce. Agricultural crops include corn, wheat, and edible beans. Major area employers are Chase County Hospital, the school district, and Frenchman Valley Co-op.

FPNB has competition from six FDIC-insured financial institutions in the AA. This includes commercial banks and savings institutions. In addition there is significant area competition from non-financial institutions that finance farm equipment and other agricultural borrowing needs.

Refer to the bank's CRA Public File for more information.