



PUBLIC DISCLOSURE

8/13/2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Ely
Charter Number 8561

595 Aultman Street
Ely, Nevada 89301

Office of the Comptroller of the Currency

Denver Field Office
1225 17th Street, Suite 450
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, and should not 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 major factors that support this rating include:

- The bank originated a substantial majority of loans inside its delineated assessment area (AA).
- Lending to businesses of different sizes reflects reasonable penetration.
- The quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and local economic conditions.
- The bank did not receive any consumer complaints relating to its performance in helping to meet the credit needs of the AA during the evaluation period.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The First National Bank of Ely (FNBE) is a \$98 million financial institution located in rural east-central Nevada. FNBE operates under holding company Fnbely Bancorporation. Both the bank and the holding company are located at 595 Altman St, Ely, NV. The bank operates one full service office. The bank does not operate any ATMs. Bank management has designated one assessment area (AA) consisting all of White Pine County, Nevada.

FNBE offers traditional banking products and services. The bank's business strategy includes an emphasis on providing commercial real estate and small consumer loans to borrowers within the AA. As of June 30, 2018, net loans totaled \$10 million, which equates to 10 percent of the institution's total assets. The loan portfolio is primarily comprised of business-related loans. The bank holds \$11 million in tier one capital.

A CRA Performance Evaluation (PE) was last prepared in March 2014, with a "Satisfactory" rating assigned.

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA.

Scope of the Evaluation

Evaluation period/Products Evaluated

We conducted a full-scope CRA evaluation to assess the bank's record of meeting the credit needs of the AA. We used small bank CRA evaluation procedures to assess the bank's performance. The lending test includes loans originated from January 1, 2015, to December 31, 2017, (lending evaluation period). We determined the bank's primary product to be business loans. We evaluated performance using 2010 U.S. Census data for loans originated from 2015-2016 and the American Community Survey (ACS) U.S. Census data for loans originated in 2017.

Loan Originations January 1, 2015-December 31, 2017				
<i>Loan Type</i>	<i>Dollar Volume</i>	<i>Volume %</i>	<i>Number</i>	<i>Number %</i>
Ag	\$537,220	7%	11	9%
Consumer	\$490,009	6%	68	54%
1-4 RRE	\$105,400	1%	1	1%
Business	\$6,768,831	86%	45	36%

Source: Bank records from January 1, 2015-December 31, 2017.

Data Integrity

Not applicable; the bank is not a Home Mortgage Disclosure (HMDA) reporting institution.

Selection of Areas for Full-Scope Review

We completed a full-scope review of the bank's AA, which includes all of White Pine County, Nevada.

Ratings

The bank's overall rating is based on the full-scope review of the bank's only AA, White Pine County, Nevada.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNBE’s lending performance is Satisfactory.

Loan-to-Deposit Ratio

FNBE’s average LTD ratio since the last exam is reasonable, given the limited lending opportunities available in the rural AA and relatively high level of competition for loans in the AA.

Since no community banks are similarly sized and headquartered within the bank’s AA, we compared the bank’s LTD ratio with that of similarly sized community banks in surrounding Nevada counties. The bank’s LTD ratio averaged 12 percent during this period compared to 73 percent for the comparable banks. During the assessment period, the LTD ratio ranged between 10 and 13 percent. Based on this comparison, FNBE’s average LTD ratio appears low. However, material differences in the economies and populations of the different locations explain the difference. Additionally, the comparable bank’s benefit from being larger, having multiple branches, and serving multiple assessment areas. FNBE’s average LTD ratio is also skewed by the number of small dollar consumer loans products, many under \$1,000. To arrive at the average LTD ratios for the banks, we averaged information from January 2015 through December 2017.

Lending in Assessment Area

FNBE’s lending in the AA meets the standard for satisfactory performance. The bank originated a substantial majority of loans inside the bank’s delineated AA. The bank originated 88 percent of loans by number and 72 percent of loans by dollar within its AA. See Table 1 below for details.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Business	35	88	5	12	40	4,574,977	72	1,777,727	28	6,352,704
Totals	35	88	5	12	40	4,574,977	72	1,777,727	28	6,352,704

Source: Loan sample.

Lending to Businesses of Different Sizes

Lending to businesses of different sizes reflects reasonable penetration.

Information as of the 2010 U.S. Census Data, Loans Originated from 2015-2016

The distribution of business loans originated in 2015-2016 reflects excellent penetration to businesses of different sizes. The bank originated 76 percent by number and 91 percent by dollar volume to small businesses with gross annual revenues of less than \$1 million. These volumes compare favorably to demographic reports, which identify 67 percent of businesses in the AA as small businesses.

Table 2A - Borrower Distribution of Loans to Businesses in White Pine AA (2015-2016)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67	9	24	100%
% of Bank Loans in AA by #	76	18	6	100%
% of Bank Loans in AA by \$	91	8	1	100%

Source: Loan sample; Dun and Bradstreet data.

Information as of the 2015 ACS U.S. Census Data, Loans Originated in 2017

The distribution of loans originated in 2017 reflects reasonable penetration. By number of loans, the bank originated 68 percent of loans to small businesses, which is in line with the demographic comparator of 66 percent in the AA. By dollar volume, the bank originated 30 percent of loans to small businesses. While this percentage is below the demographic comparator, it is skewed due to two larger commercial borrowers, which comprised 4 four loans or 21 percent of our sample. Of note, one of the large borrowers is a local charity who is a significant source of economic activity and tourism for the AA. Our sampling included multiple loans to the same borrowers due to the bank's limited volume of originations within the assessment period.

Table 2A - Borrower Distribution of Loans to Businesses in White Pine AA (2017)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66	9	25	100%
% of Bank Loans in AA by #	68	32	0	100%
% of Bank Loans in AA by \$	30	70	0	100%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans

A geographic analysis would not provide meaningful results as there are no low- or moderate- income CTs within this AA.

Responses to Complaints

Neither the Office of the Comptroller of the Currency nor the bank received any complaints about the banks CRA performance 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.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 1/01/2015-12/31/2017	
Financial Institution		Products Reviewed
The First National Bank of Ely (FNBE) Ely, Nevada		Business loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None reviewed.		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Nevada White Pine County	Full-scope	

Appendix B: Community Profiles for Full-Scope Areas

White Pine County AA

Demographic Information for Full Scope Area: White Pine County AA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0.00	0.00	66.67	33.33	0.00
Population by Geography	9,974	0.00	0.00	40.67	59.33	0.00
Owner-Occupied Housing by Geography	2,386	0.00	0.00	47.74	52.26	0.00
Business by Geography	432	0.00	0.00	40.05	59.95	0.00
Farms by Geography	28	0.00	0.00	17.86	82.14	0.00
Family Distribution by Income Level	1,990	13.52	19.75	21.26	45.48	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	662	0.00	0.00	52.72	47.28	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below Poverty Level		61,350 62,900 11%	Median Housing Value Unemployment Rate (2015 ACS US Census)		125,489 4.20%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2015 ACS US Census and 2017 FFIEC updated MFI

The White Pine County AA consists of three census tracts (CTs) comprising the whole county of White Pine, Nevada. The county is sparsely populated, rural, and home to several designated wildlife areas and the Great Basin National Park. The population for the county was 9,974 and the county encompasses an area of 8,897 square miles. According to the 2015 American Community Survey Census Data, of the three CTs, two are designated as middle-income and one is designated as upper-income. The median family income is \$61,350. Within the AA, 11 percent of households live below the poverty line. Low- and moderate- income families comprise 14 and 20 percent of total families, respectively. The remainder is divided between middle- and upper-income families, comprising 21 and 45 percent, respectively.

The primary economic driver in the AA is the mining industry. According to the United States Bureau of Labor Statistics, the unemployment rate was 3.5 percent at December 31, 2017. Major employers in the county include the Robinson Nevada Mining Company, the Department of Corrections, White Pine County School District, and William Bee Ririe Hospital.

FNBE faces strong competition relative to the limited population base and lending opportunities within the AA. There are numerous financial institutions that have offices within the AA, including branches of three traditional banks and credit unions and one non-traditional non-profit lender.

In order to gain a better understanding of the economic conditions and credit needs within the bank's assessment area, we contacted a county official within White Pine County. The official stated that the local economy has seen significant improvement with the return of favorable mineral prices and mining jobs. According to the community contact, financial institutions within the assessment area are satisfactorily meeting the credit needs of the community.