



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

November 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peak National Bank
Charter Number 21121**

**26 South Highway
Nederland, Colorado 80466**

**Comptroller of the Currency
1099 18th Street, Suite 2650
Denver, Colorado 80202**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Peak National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 29, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

A satisfactory rating is appropriate based on the bank’s demonstrated ability to meet the credit needs of the community, including low- and moderate-income individuals and small businesses. Specifically:

- < The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- < The bank’s loan-to-deposit ratio is reasonable given the competition and assessment area credit needs.
- < A majority of the bank’s loans and other lending related activities are in the assessment area.

Peak National Bank is committed to serving the community in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION:

Peak National Bank (PNB), headquartered in Boulder County, Colorado with four branches in western Jefferson County, is a community bank with total assets of \$115 million. PNB is a wholly owned subsidiary of Peak Banks of Colorado, a one-bank holding company located in Nederland, Colorado. Total assets of the holding company are \$116 million.

PNB predominantly originates real estate secured loans. It offers a variety of loan products including commercial, construction, and consumer loans. Per Call Report data, as of September 30, 1999, commercial loans comprise 38% of the total loan portfolio by dollar. Commercial loans include loans for commercial and industrial purposes and loans secured by nonfarm, nonresidential real estate. Construction loans and loans secured by residential real estate represent 30% and 27% of total loans by dollar, respectively. The remaining 5% of the portfolio consists of loans to individuals. As of September 30, 1999, net loans represent 67% of the bank's total assets.

The main office is located in Nederland, Colorado, a bedroom community located in Boulder, County. Four branches are located along the front range in Jefferson, County. Two branches are located in the small, rural communities of Bergen Park and Conifer. The two others are located in Lakewood and Golden, larger suburbs of Denver. Each location has a drive-up facility. Additionally, the bank operates one deposit-taking ATM at each bank location and one cash-dispensing ATM in a supermarket in Nederland.

There are no financial or legal impediments to the bank's ability to meet the credit needs of the assessment area.

This Performance Evaluation is an assessment of the bank's CRA performance from April 19, 1997, to November 29, 1999. The last CRA Evaluation was performed on April 18, 1997. The bank received a "satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA:

Peak National Bank has designated a portion of Boulder County, Jefferson County, Clear Creek County, Park County, and all of Gilpin County as its assessment area (AA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Additionally, it reasonably reflects the communities PNB services. Management and the Board of Directors elected not to include the City of Boulder in the AA. This area is served by numerous financial institutions and would otherwise be too large for the bank to effectively service.

The AA includes 35 census tracts and 4 block numbering areas (BNA). Two census tracts are located in the Boulder Metropolitan Statistical Area (MSA) in Boulder County. Thirty-three census tracts are

located in the Denver MSA in Jefferson County. The remaining geographies include four BNAs located in Gilpin, Clear Creek, and Park Counties. The bank's AA is comprised primarily of middle- and upper-income census tracts and BNAs, and does not contain any low-income areas. Census tract and BNA designations are based on the 1990 United States Census MSA/non-MSA median family income for each given area. The median family income for Boulder MSA is \$43,782; for Denver MSA it is \$40,222; and for Colorado non-MSAs is \$28,258.

The following table shows the overall distribution of census tracts and BNAs within the AA:

INCOME DESIGNATION DISTRIBUTION						
Income Designation	Denver MSA Census Tracts		Boulder MSA Census Tracts		Park, Clear Creek, Gilpin County BNAs	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Low Income	0	0	0	0	0	0
Moderate Income	4	12	0	0	0	0
Middle Income	18	55	1	50	1	25
Upper Income	10	30	1	50	3	75
No Income Designation	1*	3	0	0	0	0
Total Census Tracts	33	100	2	100	4	100

*Note: One census tract within the Denver MSA does not have an income designation. This area is comprised solely of the Federal Center located in Lakewood, CO.

The following chart shows the breakdown of families within the AA by income level based on the 1999 United States Census MSA/non-MSA Updated Median Family Income for each area. The updated median family income for Boulder MSA, Denver MSA, and Colorado non-MSAs are \$68,700, \$58,600, and \$40,400, respectively.

PERCENTAGE OF FAMILIES WITHIN ALL TRACTS BY INCOME LEVEL						
Income Level	Boulder MSA		Denver MSA		County BNAs	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Low Income (0 - 50%)	373	14	5,503	13	362	9
Moderate Income (51% - 80%)	455	18	7,295	17	365	10
Middle Income (81% - 120%)	567	22	10,401	24	746	20
Upper Income (120% +)	1,200	46	19,419	46	2,339	61
Total	2,595	100	42,618	100	3,812	100

The population is predominantly affluent with 71% of the total families being of middle- and upper-income. Conversely, 29% of the total families are low- and moderate-income families living in middle- and upper-income census tracts or BNAs.

The majority of the AA consists of small bedroom communities including Nederland, Ward, Evergreen, Conifer, Central City, Bergen Park and Bailey. Growth in these areas continues to be strong as more people choose to reside in smaller communities and commute to Denver and Boulder for employment.

The economy continues to be strong. Major employers are high tech companies, state and local government, real estate development, and outdoor recreation. Additionally, the towns of Central City and Black Hawk have limited-stakes gambling, which has increased revenues and brought revitalization to Gilpin County.

Competition within the AA is strong. Numerous banks, credit unions, mortgage companies, and finance companies compete for business in the larger metropolitan areas of Boulder, Arvada, Golden, and Lakewood. Economic growth has also attracted financial institutions to the smaller communities.

As part of the CRA analysis, we interviewed the Public Improvement Coordinator for Jefferson County and a Chamber of Commerce member in Nederland. Based on these discussion, the greatest credit needs in the assessment area are development and small business loans. PNB is actively involved in meeting these needs and in providing access to banking services. Our contacts did not identify any segments of the community that are under served.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Peak National Bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, risk appetite, and AA credit needs. The average loan-to-deposit ratio for the previous 12 quarters ending September 30, 1999, is 70%. The 12 quarter average loan-to-deposit ratios for similarly situated banks in the assessment area range from 28% to 90%. Similarly situated banks are those banks which are comparable in asset size, location, and loan products offered.

Lending in the Assessment Area

Peak National Bank originates the majority of its loans in number and dollar volume within its assessment area. Our loan sample included all residential loans for home purchase, home improvement, and home refinances captured by the bank's Home Mortgage Disclosure Act Loan Activity Register (LAR) and 20 commercial loans originated since the last exam. As the following table illustrates, the bank originated 83% by number and 53% by dollar volume within the assessment area.

LOANS ORIGINATED WITHIN AND OUTSIDE THE ASSESSMENT AREA				
Location of Loans	Loans by Number	Percent by Number	Loans by Dollar Volume	Percent by Dollar Volume
In Assessment Area	132	83	6,874,546	53
Out of Assessment Area	28	17	6,192,934	47
Total	160	100	13,067,480	100

Further, one large commercial loan in the amount of \$1,745M was originated outside the AA. When this outlier is removed from the sample, the loans originated within the AA by number and dollar volume increase to 83% and 61%, respectively.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Peak National Bank's overall lending pattern reflects excellent penetration among individuals of different income levels and businesses of different sizes.

Commercial Loans

The bank is active in meeting the credit needs of small businesses within the community. By definition, small businesses are those with annual revenues of less than \$1 million. Our sample included 20 loans originated between January 1, 1997, and September 30, 1999 that financed commercial activities. As

shown in the following table, 80% of the loans by number were to small businesses. Further, 60% by number and 27% by dollar volume were made to businesses with annual revenues of less than \$250,000.

DISTRIBUTION OF COMMERCIAL LOANS BY ANNUAL REVENUE				
Annual Revenue	Number of Loans Sampled	Percent of Loans in Sample	Dollar Amount of Loans Sampled (000's)	Percent of Dollar Volume Sampled
Revenues Less Than \$250M	12	60	1,093	26
Revenues \$250M - \$500M	3	15	111	3
Revenues \$500M - \$1,000M	1	5	30	1
Revenues Greater Than \$1,000M	4	20	2,868	70
Total	20	100	4,102	100

This distribution closely matches the AA demographics. The 1990 US Census data indicates 79% of the businesses within the AA have revenues of less than \$1 million. When the \$1,745M loan outlier is omitted, our sample reflects that 84% by number and 52% by dollar volume are originated to small businesses.

Consumer Real Estate Loans:

The bank's efforts in meeting the credit needs of residential real estate borrowers are commendable. It consistently exceeds area demographics in its lending to low- and moderate-income individuals. Our sample consists of all HMDA reportable loans originated between January 1, 1997 and September 30, 1999. Income level is determined by the borrower's income as a percentage of the 1999 United States Census Updated Median Family income for the MSA in which the property is located. The following table shows a breakdown of residential real estate loan originations by borrower income level as compared to the population.

HMDA REPORTABLE LOANS ORIGINATED IN THE ASSESSMENT AREA BY BORROWER INCOME					
Income Designation of the Borrower	Percent of Families in the Assessment Area	Number of Loans Sampled	Percent of Loans Sampled	Dollar Amount of Loans Sampled (000's)	Percent of Dollar Volume of Loans Sampled
Low Income	12	20	17	718	12
Moderate Income	17	30	25	1,133	18
Middle Income	24	29	24	1,455	24
Upper Income	47	39	33	2,656	43
Not Reported	---	2	1	193	3
Total	100	120	100	6,155	100

Geographic Distribution

We did not perform an in-depth analysis of the geographic distribution of loans. Of the 39 census tracts and BNAs, there are no low-income areas and only four census tracts are designated as moderate-income. The moderate-income census tracts are located in the far east portion of Jefferson County. This area is served by numerous financial institutions and is located furthest from the branch locations. It is reasonable that no loans within our sample were originated within these areas.

A further analysis of the geographic distribution of loans was not meaningful.

Response to Complaints

No complaints have been received regarding the bank’s CRA or Fair Lending performance since the previous exam dated April 18, 1997.

Institutions Record of Compliance with Antidiscrimination Laws

The bank is in substantial compliance with all fair lending laws and regulations. Our concurrent fair lending examination did not reveal any evidence of discrimination or practices intended to discourage low- and moderate-income applicants from applying to credit.