

PUBLIC DISCLOSURE

November 25, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Cañon City
Charter Number 3879**

**531 Main Street
Cañon City, Colorado 81212**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 Community Reinvestment Act (CRA) performance of **First National Bank of Cañon City** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 10, 1998. 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.**”

First National Bank of Cañon City demonstrates satisfactory lending performance based on its record of meeting the credit needs of the community, including low- and moderate-income individuals and small businesses. A substantial majority of the bank's loans are originated in the assessment area. The bank lends to individuals of all income levels and businesses of different sizes. The bank's loan-to-deposit ratio is reasonable given the competition and assessment area credit needs.

DESCRIPTION OF INSTITUTION:

First National Bank of Cañon City (FNB) is an \$86 million community bank located in Fremont County, Colorado. FNB operates its main office and one full-service branch in Cañon City's business district. The bank maintains three automated teller machines and six cash dispensing machines located throughout the county.

FNB offers a variety of loan products with the primary focus in real estate and consumer lending. As of June 30, 1998, 80% of the bank's total dollar loan volume was in real estate loans. Additionally, loans to individuals and commercial loans comprise 13% and 7% of the total loan volume, respectively.

FNB received a "Satisfactory" rating at its April 1, 1996, CRA evaluation. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA:

FNB defines Fremont County as its assessment area. Cañon City is the largest town in the county. Fremont County contains 10 block numbering areas (BNAs) none of which is a low- or upper-income BNA. Based on the 1990 U.S. Census non-MSA median-family income for Colorado, five BNAs are designated middle-income and four BNAs are designated moderate-income. One BNA does not have an income designation as it consists entirely of the State of Colorado Territorial Prison. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies.

Fremont County has an estimated population of 40,800. Based on the updated 1997 state-wide non-metropolitan median family income of \$39,000, the income demographics of the population are as follow: 24% low-income, 22% moderate-income, 21% middle-income, and 33% upper-income. Within Fremont County there are nine state prisons, four federal prisons, and one county correctional facility. The prisons are the largest employers in the area. Thirty percent of the prison employees live in Fremont County. The remaining 70% commute from nearby Colorado Springs or Pueblo. Tourism is the second largest industry, coming primarily from the Royal Gorge and recreational activities on the Arkansas River.

Interviews with local community contacts made earlier this year indicate area banks are effectively meeting the community's credit needs. The greatest needs are for home mortgages and small business loans. FNB actively participates in both products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, risk appetite, market focus, and assessment area credit needs. The average loan-to-deposit ratio for the eight quarters ended June 30, 1998, is 59%. Not included in this ratio are \$6.3 million in residential mortgages sold during the year to the secondary market. Had these been retained, the loan-to-deposit ratio would be 66%. The loan-to-deposit ratios for similarly situated banks range between 66% and 76%.

Loan competition has steadily increased among financial institutions. FNB, however, continues to be conservative in its loan pricing and underwriting practices. Accordingly, the bank's deposit growth over the last year has out paced loan growth.

Lending in the Assessment Area

FNB originates a substantial majority of its loans within its assessment area. We based our analysis on a sample of all commercial loans originated between January 1, 1998, and September 30, 1998. Our review found that 89% by number and 93% by dollar volume went to borrowers within the bank's assessment area. Additionally, we found a similar lending pattern in an analysis of automobile loans originated between July 1, 1998, and September 30, 1998. FNB made 96% of the number of automobile loans and 86% of the dollar volume to borrowers within the assessment area.

Geographic Distribution of Loans Within the Assessment Area

The geographic distribution of commercial and automobile loans reflects reasonable dispersion throughout the assessment area. The bank made loans in all BNAs within the assessment area except the BNA containing the Colorado Territorial Prison. As shown by the following table, 43% of the population resides in moderate-income BNAs. Of the 138 loans originated within the assessment area, 47% were made to borrowers in moderate-income BNAs.

GEOGRAPHIC DISTRIBUTION OF COMMERCIAL AND AUTOMOBILE LOANS IN ASSESSMENT AREA					
BNA Income Designation	Number of BNAs	BNA Population by Income Level	Percentage of Population in BNAs*	Percentage of Loans Originated in BNAs	Total Loans Originated in the Assessment Area
Low Income	0	0	0	0	0
Moderate Income	4	13,925	43	47	65
Middle Income	5	17,639	55	53	73
Upper Income	0	0	0	0	0
Not Applicable**	1	709	2	0	0
Totals	10	32,273	100	100	138

*Based on demographic data from the 1990 U.S. Census.

**BNA number 9787 is the State of Colorado Territorial Prison.

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

Automobile Loans:

A sample of automobile loans demonstrates the bank achieved an excellent penetration among individuals of all income levels. The following table shows the dispersion of automobile loans made to borrowers of different income levels relative to 1990 U.S. Census income distribution for the assessment area.

DISTRIBUTION OF AUTOMOBILE LOANS BY BORROWER INCOME LEVEL			
Borrower Income Level	Number of Automobile Loans Originated	Percentage of Automobile Loans Originated	Percentage of Families in Income Category
Low (< \$19,500)	17	22	24
Moderate (\$19,500-\$31,200)	17	22	22
Middle (\$31,200-\$46,800)	19	24	21
Upper (> \$46,800)	23	32	33
Total	76	100	100

< = Less than.

> = More than.

Commercial Loans:

The bank is active in helping to meet the needs of small businesses within the community. By definition, small businesses are those with gross annual revenues of less than \$1 million. 1990 U.S. Census data indicates 82% of businesses in the assessment area meet this definition. A review of commercial loans originated within the assessment area shows that 82%, by number, are made to small businesses. The average loan amount is \$56,000. Further review indicates 63% of these loans are made to businesses with annual revenues of less than \$250,000.

DISTRIBUTION OF COMMERCIAL LOANS BY ANNUAL REVENUE		
Annual Revenue	Number of Loans	Percentage of Loans
Revenues Less than \$250,000	39	63
Revenues \$250,000 to \$1,000,000	12	19
Revenues Over \$1,000,000	11	18
Total Business Loans	62	100

Institution's Record of Compliance with Antidiscrimination Laws

A concurrent fair lending examination did not find evidence of discrimination or practices designed to discourage applicants from applying for credit.

Response to Complaints

The bank has not received any written complaints regarding its CRA performance since the last CRA Performance Evaluation dated April 1, 1996.