



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 25, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Grand Valley National Bank
Charter Number: 18058**

**2 South Main Street
Heber City, Utah 84032**

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, 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.

State Name: Colorado Rating: Satisfactory

State Name: Utah Rating: Satisfactory

Multistate Metropolitan Statistical Area Name : Grand Junction

Rating: Satisfactory

The bank's overall rating is a blend of the two state ratings. The Grand Junction Multistate Metropolitan Statistical Area (MSA) is the only assessment area in the state of Colorado, therefore our comments regarding the MSA rating are the same and part of *Conclusions About Performance in Colorado*. Major factors supporting the satisfactory rating are:

- The bank's record of lending to businesses of different sizes and to borrowers of different income levels is satisfactory.
- The bank's loan-to-deposit ratio is reasonable considering the level of competition in its AAs.
- A substantial majority of the bank's loans are in its AAs.

Scope of Examination

The evaluation period for this CRA examination focuses on loan originations from January 2004 through December 2007. To determine the bank's primary lending products, we reviewed both the dollar amount of loans and the number of loans originated during the evaluation period. We determined that Grand Valley National Banks's (GVNB) primary loan products are residential real estate loans and commercial real estate loans. We analyzed all residential loans originated in 2004 through 2007. Our commercial real estate loan sample included 21 randomly selected loans originated in Colorado and 21 randomly selected loans originated in Utah. Our conclusions are based on these samples.

Our review also included contacting a community representative in the Colorado assessment area.

Description of Institution

GVNB is a \$250 million dollar institution headquartered in Heber City, Utah with offices in western Colorado and northeastern Utah. The bank is primarily owned (90%) by Grand Valley Corporation (GVC) located in Grand Junction, Colorado. Until December 31, 2005, GVC was a two bank holding company owning GVNB and Heber Valley National Bank (HVNB) located in Heber City, Utah. On December 31, 2005, GVC merged HVNB into GVNB. Effective December 31, 2007, GVNB moved its main office to Heber City from Grand Junction.

The bank operates seven full-service facilities. Two branches are located in Grand Junction, Colorado. Two branches are located in the neighboring communities of Fruita, Colorado and Collbran, Colorado. There are also three branches located in the Utah communities of Heber City, Vernal, and Midway. The Midway branch was opened in September 2007. All branch locations have drive-up facilities and ATMs. The bank also has an ATM in a medical clinic in Mesa, Colorado. GVNB ATMs do not take deposits.

GVNB primary lending focus, based on reported loan information maintained by the bank during the evaluation period, is small business lending. Net loans represent 55% of average assets. The bank offers a variety of credit products. The loan distribution by dollar volume outstanding is as follows: construction and land development 38%, commercial real estate loans 26%, one-to-four family residential loans 12%, farmland loans 11%, commercial and industrial loans 7%, agricultural loans 4%, and retail credit 2%. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

GVNB received a "Satisfactory" rating at the last CRA examination dated September 30, 2002. Refer to the bank's CRA Public File for more information.

Conclusions with Respect to Performance Criteria

The ratings for the following three areas is bank-wide and represents the bank's performance in all AAs based on information reported and maintained by GVNB during the evaluation period.

Loan-to-Deposit (LTD) Ratio

The bank's LTD ratio is satisfactory given area competition and credit needs of the community.

The bank's LTD ratio reflects the bank's continued conservative lending philosophy coupled with significant competition from larger financial institutions within the assessment areas. GVNB's LTD ratio has historically been below peer average and was 55% at December 31, 2007. The bank's quarterly average loan-to-deposit (LTD) ratio since the previous CRA exam is 51%. The average LTD ratios in similarly situated banks over the same time period ranged between 59% and 101% for the Utah assessment area and between 62% and 101% for Colorado assessment area. Similarly situated banks are those banks of similar size and/or business lines operating within the same geography.

Lending in Assessment Area

A substantial majority of loans by number and dollar volume are originated within the bank's combined assessment areas.

We sampled all residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) in 2004 through 2007, and 42 commercial real estate loans originated within each defined AA from 2004 through 2007. Of the 490 loans sampled, 89% by number and 91% by dollar volume were originated within the AA.

Lending in Combined AAs										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Real Estate	40	95	2	5	42	14,779	96	637	4	15,416
Residential Mortgage	394	88	54	12	448	54,475	90	6051	10	60,526
Totals	434	89%	56	11%	490	69,254	91%	6,688	9%	75,942

Source: Data reported under HMDA, Commercial RE loan sample.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

CONCLUSIONS ABOUT PERFORMANCE IN COLORADO

CRA Rating for Colorado: Satisfactory

Summary

GVNB's CRA lending performance in Colorado is satisfactory. The bank's primary lending focus is small business lending and according we placed more weight on the bank's origination of commercial real estate loans. The bank's lending to small businesses is satisfactory and compares favorably to area demographics. The bank's lending pattern reflects reasonable penetration of AA geographies.

Description of Assessment Area (AA)

The bank has designated Mesa County as its Colorado assessment area. The Grand Junction MSA encompasses all of Mesa County, Colorado. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The city of Grand Junction is the largest population center in Mesa County. Other communities in the AA include Palisade, Clifton, Collbran, DeBeque, Fruita, Mesa, and Molina. Grand Junction is located in a valley at the junction of the Colorado and Gunnison Rivers on the western slope of the Rocky Mountains. Banking competition is fierce within this AA with 17 financial institutions competing for business, including several large banks.

The MSA has 28 census tracts of which five (18%) are designated moderate-income tracts, sixteen (57%) are middle-income tracts, and seven (24%) are upper-income tracts. There are no low-income tracts. The U.S. Department of Housing and Urban Development (HUD) lists the MSA's 2007 updated median family income as \$50,100, and the U.S. Census Bureau lists the percentage of persons below the poverty level as 10.25%. The median housing value in the MSA was \$119,518, according to the U.S. Census Bureau. 69% of the housing units are owner occupied within the AA.

The Grand Junction economy is strong. According to the U.S. Census Bureau, the 2000 population of the MSA was 116,255. This reflects a 25% increase from 1990. Employment growth has accelerated well above state and national averages. The natural resource mining industry has expanded in recent years due to elevated energy prices and is a large contributor to the strong local economy. In addition, Mesa County is noted for its wide variety of agricultural produce. In particular, the area's mild climate creates perfect growing conditions for grapes. The county boasts a number of area wineries and vineyards which also attracts tourists.

Business demographic data shows that 12,534 businesses reside in the AA. 64% of these businesses are considered to be small businesses with annual revenues less than \$1 million. Within the AA, 25% of small businesses reside in moderate income tracts.

The dominant industries based on number of jobs in the MSA are service, retail, and government. Major employers include St. Mary's Hospital, Mesa State College, Wal-Mart, and Halliburton Energy. Grand Junction's unemployment rate as of October 2007 was 2.8 percent compared to the State of Colorado's unemployment rate of 4.1 percent.

We made one community contact in this AA and reviewed one recent community contact performed by the OCC in the MSA. Our contacts indicate the economy relies on the energy sector, but is more diversified than in the past economic boom. Financial institutions in the community are very competitive and are adequately meeting the credit needs of the AA. Primary credit needs in the AA include loans for affordable housing and small business loans.

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

The bank’s pattern of lending to individuals of different income levels and businesses of different sizes in Colorado is satisfactory. In our analysis, we placed more weight on the bank’s origination of commercial real estate loans due to the bank’s small business lending focus.

Commercial Real Estate Loans

The distribution of loans secured by commercial real estate within the Grand Junction MSA indicates strong performance in lending to businesses of different sizes. Of the 21 commercial real estate loans sampled, 90% percent by number and 89% percent by dollar volume were originated to small businesses. This compares favorably to area demographics which shows that 64% of all business for which income information was available reported annual revenues of less then \$1 million. Further, of the sampled loans, 62% percent by number and 32% by dollar volume were originated to very small businesses with revenues less than \$250,000.

Borrower Distribution of Loans to Businesses in Colorado				
Business Revenues (or Sales)	≤\$1,000,000	<\$500,000	>\$1,000,000	Not Reported
% of AA Businesses	64%	61%	4%	32%
% of Bank Loans in AA by #	90%	62%	9%	-
% of Bank Loans in AA by \$	90%	32%	10%	-

Source: Commercial RE loan sample; 2007 Dunn and Bradstreet business data.

Residential Real Estate Loans

The distribution of home purchase loans to borrowers of different income levels is reasonable. An analysis of 382 loans originated in the Grand Junction MSA between 2004 and 2007 shows no loans were originated to low-income individuals and 10% percent to moderate-income individuals. This compares unfavorably to area demographics which indicate that 17% of families are low-income and 20% are moderate-income.

Borrower Distribution of Residential Real Estate Loans in Colorado								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17%	0%	20%	10%	24%	67%	39%	23%

Source: Data reported under HMDA; 2000 U.S. Census data.

Geographic Distribution of Loans

GVNB's distribution of loans within Colorado shows reasonable penetration of various geographies. In our analysis, we placed more weight on the bank origination of commercial real estate loans due to the bank's small business lending focus.

Commercial Real Estate Loans

GVNB's distribution of commercial real estate loans is good and does not arbitrarily exclude low- or moderate-income areas. Of the 21 commercial real estate secured loans sampled in the Grand Junction MSA, 29% by number and 40% by dollar were originated in moderate-income geographies. This compares favorably with the geographic distribution of the MSA in which 18 percent of the census tracts are designated as moderate-income. There are no low-income tracts in the MSA. Demographic information also shows that 26% of businesses are located in moderate income tracts within the AA.

Geographic Distribution of Loans to Businesses in Colorado								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial RE	0%	0%	26%	29%	52%	67%	22%	5%

Source: Commercial RE loan sample; 2000 U.S. Census data.

Residential Real Estate Loans

The bank’s geographic distribution of residential real estate loans is adequate and does not arbitrarily exclude low- or moderate-income areas. An analysis of the distribution of home purchase loans originated within the Grand Junction MSA in 2004 through 2007 showed that 10% by number were originated in moderate-income tracts. This is consistent with area demographics which show that 14% of owner-occupied housing is located in moderate- income tracts. In addition, 18 percent of all tracts in the AA are designated as moderate-income tracts. There are no low-income tracts within this MSA.

Geographic Distribution of Residential Real Estate Loans in Colorado								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	14%	10%	60%	67%	26%	23%

Source: HMDA loans; 2000 U.S. Census data.

Responses to Complaints

GVNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

CONCLUSIONS ABOUT PERFORMANCE IN UTAH

CRA Rating for Utah: Satisfactory

Summary

GVNB's CRA lending performance in Utah is satisfactory. The bank's primary lending focus is small business lending, and accordingly, we placed more weight on the bank's origination of commercial real estate loans. The bank's lending to small businesses is satisfactory and compares favorably to area demographics. The bank's geographic distribution is reasonable given the limited lending opportunities in moderate income geographies.

Description of Assessment Area (AA)

The bank has designated two AAs in Utah. One is Wasatch County and the other is Uintah County. For analysis purposes, we combined these two AAs into one AA for Utah. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies. GVNB competes against 5 large multinational financial institutions in this AA. According to the U.S. Census Bureau, the 2000 population of the AA was only 40,439. There are 10,396 families residing within this AA, of which 33 % are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income. The Department of Housing and Urban Development (HUD) 2007 updated MSA median-family income for the AA is \$46,200. The weighted average median housing price is \$130,840. 65% of the housing units are owner occupied within the AA.

Based on 2000 census data, this AA is comprised of 9 census tracts of which only three (33%) are designated as moderate-income, four (45%) as middle-income, one (11%), as upper income, and one (11%) marked as NA. There are no low-income tracts. All 3 of the moderate income census tracts are in rural areas of Utah.

Wasatch County is located in North Central Utah. Heber City, along with the immediate surrounding area in the valley, is the largest population center in Wasatch County. Wasatch County consists of 4 census tracts. The only moderate-income tract (9403) covers the eastern portion of Wasatch County and is largely unpopulated. Another tract has a population of only 4 people with no income designation assigned.

Uintah County is located on the northeastern edge of Utah which borders Colorado. It includes the towns of Vernal, Naples, and Maeser. These three towns, plus the immediate surrounding area in the Ashley Valley, is the largest population center in Uintah County. Uintah County consists of 5 census tracts with 2 tracts designated as moderate income. The moderate-income tracts 9401 and 9402 encompass mainly land and part of the Ouray Indian Reservation. Tract 9401 is sparsely populated with

less than 500 adults living in it. Tract 9402 has an adult population of less than 3000.

Business demographic data shows that only 4,651 businesses are located within the AA. 64% of these businesses are considered to be small businesses with revenues of less than \$1 million. Only 5% of small businesses are located in moderate- income census tracts.

Major industries in the AA include mining, government, trade, transportation, and utilities. The largest employers in Wasatch County include the Wasatch County School District, Sowby and Berg Consultants, and D Brothers, Inc. The largest employers in Uintah County include Uintah County School District, Uintah County, the Ute Indian Tribe, and Walmart. The unemployment rate is 2.9%.

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

The bank’s pattern of lending to individuals of different income levels and businesses of different sizes in Utah is satisfactory. In our analysis, we placed more weight on the bank’s origination of commercial real estate loans due to the bank’s small business lending focus.

Commercial Real Estate Loans

The distribution of commercial real estate secured loans originated within Wasatch and Uintah Counties is good. Of the 21 commercial real estate loans sampled, 76% by number and 50% by dollar volume were originated to small businesses. This compares favorably to area demographics which shows that 64% of all businesses for which income information was available reported annual revenues of less than \$1 million. Of the sampled loans, 29 % by number and 20% by dollar volume were originated to very small businesses with revenue less that \$250,000.

Borrower Distribution of Loans to Businesses in Utah				
Business Revenues	≤\$1,000,000	<\$500,000	>\$1,000,000	Not Reported
% of AA Businesses	64%	61%	3%	33%
% of Bank Loans in AA by #	76%	52%	24%	-
% of Bank Loans in AA by \$	50%	26%	49%	-

Source: Commercial RE loan sample; Dunn and Bradstreet business data.

Residential Real Estate Loans

The distribution of home purchase loans to borrowers of different income levels is reasonable. An analysis of 12 home purchase loans made in Wasatch and Uintah Counties over the same time period shows 8% percent by number was originated to low-income individuals and no loans were originated to moderate-income individuals. The bank’s performance at both the low- and moderate income levels is below demographic data. Low- and moderate-income families comprise 17% and 17% of total families residing with the AA, respectively. The bank’s lending gap to low- and moderate-income borrowers is attributed to high housing costs. The median housing value in the AA is \$130,840. With the median family income at \$46,200 for 2007, moderate- and low-income borrowers would have income of \$36,960 or less. This level of income prevents a low or moderate income borrower from qualifying for a traditional home loan. In addition, approximately 11% of families in the AA lie below the poverty level.

Borrower Distribution of Residential Real Estate Loans in Utah								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase**	17%	8%	17%	0%	24%	0%	42%	75%

Source: Data reported under HMDA; 2000 U.S. Census data.

**Note: 2 home purchase loans (17%) were made to borrowers with undisclosed income during the evaluation period.

Geographic Distribution of Loans

The geographic distribution of loans within Utah is good. In our analysis, we placed more weight on the bank origination of commercial real estate loans. The bank's primary lending focus is on small business lending.

Commercial Real Estate Loans

Of the 21 commercial real estate secured loans sampled in Wasatch and Uintah counties, the bank did not originate any loans in moderate-income geographies. And there are no low-income tracts in this AA. This appears to compare unfavorably with the geographic distribution of the AAs in which 33 percent of the census tracts are designated as moderate-income. However, there are few commercial lending opportunities as only 241 (5%) businesses reside within the 3 moderate income tracts.

Geographic Distribution of Loans to Businesses in Utah								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial RE	0%	0%	5%	0%	73%	76%	22%	24%

Source: Commercial RE loan sample; 2000 U.S. Census data.

Residential Real Estate Loans

An analysis of the distribution of home purchase loans originated within Wasatch and Uintah Counties in 2004 through 2007 showed that no loans were originated in moderate-income tracts. This compares unfavorably with area demographics which show that 33 percent of all tracts are designated as moderate-income. There are no low-income tracts within this AA. However, there are few lending opportunities as moderate income tracts are very sparsely populated with a total population of less than 5000 and only 1,446 households. Given the competition from multinational banks in this AA, the bank’s residential real estate lending distribution is reasonable.

Geographic Distribution of Residential Real Estate Loans in Utah								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0%	11%	0%	68%	83%	21%	17%

Source: Data reported under HMDA; 2000 U.S. Census data.

Response to Complaints

GVNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.