



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 14, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Las Animas
Charter Number: 6030

535 Bent Avenue
Las Animas, CO 81054

Office of the Comptroller of the Currency

Office of the Comptroller of the Currency
1225 17th Street, Suite 450
Denver, CO 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 “Outstanding.”

This rating is based primarily on the bank’s performance in regard to small business and farm operating loans since this is the bank’s primary loan products. The major factors which contribute to First National Bank of Las Animas’ CRA rating are as follows:

- First National Bank of Las Animas originated a substantial majority of its loans in its AA.
- The loan-to-deposit ratio is more than reasonable;
- The borrower distribution of both small farms and small businesses in the Las Animas AA is excellent. The borrower distribution of small business loans in the El Paso AA is excellent.
- The geographic distribution of small business and small farm loans in the Las Animas AA is reasonable. Geographic distribution in the El Paso AA is not meaningful because there are no low- or moderate-income census tracts within the AA.
- First National Bank of Las Animas demonstrates excellent responsiveness to community development needs through community development investments and services.

SCOPE OF EXAMINATION

We reviewed a sample of 54 commercial loans and 26 agriculture loans originated or renewed between October 4, 2004 and October 14, 2010. We also reviewed community development investments and services of First National Bank of Las Animas provided from October 4, 2004 to October 14, 2010.

DESCRIPTION OF INSTITUTION

First National Bank of Las Animas (FNB) is a full-service financial institution headquartered in Las Animas, Colorado. As of June 30, 2010, FNB had total assets of \$228 million and net tier one capital of \$22 million. FNB is wholly owned by First Bankshares of Las Animas, Inc., a one-bank holding company in Las Animas, Colorado.

FNB operates as an intrastate bank in Colorado with four full-service facilities. The main branch is in Las Animas, Colorado, which is the county seat for Bent County. One branch is in the neighboring community of La Junta, Colorado in Otero County. The newest branch, acquired in February 2006, is also in Otero County, in the town of Fowler, Colorado. FNB also has a branch in the city of Monument, Colorado in El Paso County. All locations have a drive-up facility as well as a non-deposit taking automated teller machine (ATM).

The bank has two assessment areas (AA) which are as follows:

- Baca, Bent, Crowley, Kiowa, Las Animas, Otero, and Prowers non-MSA counties (Las Animas AA); and
- Six contiguous census tracts in El Paso County, which is part of the Colorado Springs MSA (Monument AA).

FNB offers a variety of credit products. The bank's primary business focus is agriculture. The bank considers their lending in five different categories. The bank's loan products, as defined by the bank, are: 44.31 percent agriculture, 41.94 percent commercial, 13.56 percent consumer, 0.18 percent municipal leases, and 0.01 percent municipal loans. Net loans represent 72 percent of the bank's total assets. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

At the previous exam, FNB received an "Outstanding" rating under the small bank CRA examination procedures performed as of October 4, 2004.

DESCRIPTION OF ASSESSMENT AREA(S)

Management has two designated assessment areas (AA). The bank has designated the Baca, Bent, Crowley, Kiowa, Las Animas, Otero, and Prowers non-MSA counties (Las Animas AA); and six contiguous census tracts in El Paso County (Monument AA), which is part of the Colorado Springs MSA, as its Assessment Areas (AAs). The AAs meet the requirements of the regulation. They are comprised of whole political subdivisions that accurately reflect reasonable lending areas for each branch. The AAs do not arbitrarily exclude any low- or moderate-income areas.

For CRA purposes, we placed major emphasis on FNB's pattern of lending to low- and moderate-income borrowers and small businesses within the Las Animas AA because FNB's focus for loans and deposits are in that AA.

A description of the AAs follows:

Las Animas AA:

Demographic Information for Full Scope Area: Las Animas AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	0	52	48	0	0
Population by Geography	67,656	0	59.77	40.23	0	0
Owner-Occupied Housing by Geography	29,508	0	56.33	43.67	0	0
Business by Geography	4,786	0	55.08	44.92	0	0
Farms by Geography	711	0	53.87	46.13	0	0
Family Distribution by Income Level	17,432	30.1	23.51	22.18	24.21	0
Distribution of Low and Moderate Income Families throughout AA Geographies	9,345	0	63.5	36.5	0	0
Median Family Income for 2000		\$ 44,319	Median Housing Value -2008		\$ 96,165	
HUD Adjusted Median Family Income for 2010		\$ 56,400	Unemployment Rate (5/31/10):			
Households Below Poverty Level		18%	Baca County		3.60%	
			Bent County		7.30%	
			Crowley County		9.60%	
			Kiowa County		5.00%	
			Las Animas County		8.00%	
			Otero County		7.60%	
			Prowers County		5.90%	

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2010 HUD updated MFI.

The Las Animas AA is comprised of Baca, Bent, Crowley, Kiowa, Las Animas, Otero, and Prowers, non-MSA counties in Colorado. The majority of the bank’s loan and deposit activity take place in this AA. Based on 2000 census data, this AA is comprised of 25 census tracts, of which 0 are designated as low-income, 13 (52%) as moderate-income, 12 (48%) as middle-income, and 0 as upper-income. The HUD 2008 MSA updated median-family income for this MSA is \$44,319. Based on 2000 US Census data, there are 67,656 families residing within the MSA, of which 30.1 percent are low-income and 23.51 percent are moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

The bank operates three branches in the Las Animas AA. This AA consists of 25

census tracts (CTs) in Baca, Bent, Crowley, Kiowa, Las Animas, Otero, and Prowers non-MSA counties. There are no low- or upper-income CTs; 52 percent are moderate-income; and 48% are middle-income CTs.

The primary economic driver in this AA is farming and agriculture related activities. Bent County also has a state prison and a private prison, which contributes to the major employers in the area. Retail, healthcare, school district, county and city employers are also highly represented.

As part of this review, we contacted the Executive Director of Tri-County Housing to aid in determining the credit needs of the AA and understanding of how banks are doing as far as meeting the needs of the community. He stated that banking opportunities include interest subsidies, help with down payments for affordable housing, agriculture lending, and entrepreneur loans to small businesses. He also stated that local banks are doing a good job in participating in community development as well as meeting the credit needs of the area. However, he mentioned that there is always room for improvement in helping with affordable housing

There is moderate competition among banks within this AA. FNB's competitors include: Academy Bank N.A., Century Savings and Loan Assn., Colorado Bank and Trust Co. of La Junta, Colorado East Bank and Trust, Community Banks of Colorado, FNB Lamar, FNB Ordway, FNB Trinidad, Fowler State Bank, Girard National Bank, McClave State Bank, State Bank, and U.S. Bank N.A.

Monument AA

Demographic Information for Full Scope Area: Monument AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	6	0	0	16.67	83.33	0
Population by Geography	35,985	0	0	20.94	79.06	0
Owner-Occupied Housing by Geography	11,522	0	0	0.36	99.64	0
Business by Geography	4,750	0	0	3.46	96.54	0
Farms by Geography	104	0	0	0	100	0
Family Distribution by Income Level	9,631	6.63	11.62	17.29	64.46	0
Distribution of Low and Moderate Income Families throughout AA Geographies	1,758	0	0	31.11	68.89	0
Median Family Income for 2000		\$ 54,037	Median Housing Value (6/30/2010)		\$ 196,800.00	
HUD Adjusted Median Family Income for 2010		\$ 70,800	Unemployment Rate (5/31/10):			
Households Below Poverty Level		2.67%	El Paso County		8.3%	

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(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2010 HUD updated MFI.

The bank has designated six census tracts in the Colorado Springs MSA as its second assessment area (Monument AA). There are no low- or moderate-income CTs in this AA. The branch is surrounded by five upper-income CTs and one middle-income CT, which is the U.S. Air Force Academy. South of the U.S. Air Force Academy is the nearest low- and moderate-income CTs. These areas are highly populated and are rich in competition among banks.

The bank operates one branch in the Monument AA. The branch was opened in 2002 and makes up 21.9 percent of total bank deposits. Due to the bank’s limited presence in this AA, we did not place significant weight on the bank’s CRA performance in the Monument AA. In all of El Paso County there are 41 financial institutions; FNB has 0.70 percent market share in all of El Paso County. The AA, comprised of only six contiguous CTs, is appropriate for this bank and meets the requirements per the CRA.

The economy of El Paso County is based primarily on the military installations in the Colorado Springs area as well as on the aerospace and electronics industries and tourism. Major employers include Fort Carson, a U.S. Army base; the U.S. Air Force Academy; Fort Peterson Air Force Base; and the North American Air Defense Command.

There is a moderate level of competition among banks within this AA. Competing banks include: Academy Bank, American National Bank, Armed Forces Bank, JP Morgan Chase Bank N.A., UMB Bank Colorado N.A., U.S. Bank N.A., and Wells Fargo N.A.

Refer to the bank’s CRA Public File for more information, including maps of each AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable. As of June 30, 2010, the 24-quarter average LTD ratio, calculated since the previous CRA examination, was 99.24 percent. The ratio is high compared to eleven similarly situated banks. The average LTD for similarly situated banks ranges from 40.03 percent to 92.93 percent, with a mean of 68.3 percent. Similarly situated banks are those banks of comparable asset size and operating in the same geographies.

Lending in Assessment Area

The bank originated a majority of loans inside the AAs. The extent of lending inside the AAs is reasonable. The bank originated 75 percent of total loans based on number, and

68 percent based on dollar amount, inside the AAs.

Table 1 - Lending in the Las Animas non-MSA AA and Monument MSA AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	21	81%	5	19%	26	\$2,845,818	83%	\$593,416	17%	\$3,439,234
Commercial	39	72%	15	28%	54	\$7,282,367	63%	\$4,202,184	37%	\$11,484,551
Totals	60	75%	20	25%	80	#####	68%	\$4,795,600	32%	\$ 14,923,784.89

Data Source: Loan Sample

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

The bank’s pattern of lending to low- and moderate-income borrowers and small farms is excellent in respect to area demographics in the Las Animas AA, where we place the most emphasis on the bank’s lending patterns since the bank does not have a significant presence in the Monument AA (less than 21.9% of deposits and 18.7% of loans).

Las Animas AA

The bank has excellent penetration in lending to small farms and businesses in the Las Animas AA. The percentage of bank loans in the Las Animas AA exceeds the demographic comparator for small farms and small businesses.

Farm Loans

Distribution of loans to small farms (farms with less than \$1 million in gross annual revenues) in the Las Animas AA is excellent. The percentage of loans made to small farms is 100 percent, which exceeds the demographic comparator of 96.3 percent.

Table 2 - Borrower Distribution of Loans to Farms in the Las Animas AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96.3%	2.3%	1.4%	100%
% of Bank Loans in AA by #	100.0%	0.0%	0.0%	100%
% of Bank Loans in AA by \$	100.0%	0.0%	0.0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Business Loans

The distribution of loans to small businesses (businesses with less than \$1 million gross

annual revenues) reflects excellent penetration among businesses of different sizes in the Las Animas AA. The percentage of loans to small businesses exceeds the demographic comparator. Based on number, the bank made 79 percent of business loans to small businesses; 55.9 percent based on dollar amount.

Table 2A - Borrower Distribution of Loans to Businesses in the Las Animas AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	55.3%	3.2%	41.6%	100%
% of Bank Loans in AA by #	79.0%	21.1%	0.0%	100%
% of Bank Loans in AA by \$	55.9%	44.1%	0.0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Monument AA

Overall, the bank has excellent penetration in lending to businesses of different sizes in the Monument AA.

Business Loans

Distribution of loans to small businesses in the Monument AA is excellent. The bank made 90 percent of business loans, based on number, to small businesses, which exceeds the demographic comparator. Based on dollar amount, loans to small businesses is 84.4 percent.

Table 2A - Borrower Distribution of Loans to Businesses in the Monument AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	87.2%	2.7%	10.2%	100%
% of Bank Loans in AA by #	90.0%	10.0%	0.0%	100%
% of Bank Loans in AA by \$	84.4%	15.6%	0.0%	100%

Source: Loan sample; Dunn and Bradstreet data.

We did not analyze lending to farms of different sizes in the Monument area because there was only one loan originated in the AA during the evaluation period; there was not enough data to analyze. This will not impact the bank’s lending capabilities since there is not a significant need for agriculture loans in the Monument AA; there are only 104 farms in the Monument AA.

Geographic Distribution of Loans

Las Animas AA

The geographic distribution of small farm loans in the Las Animas AA is reasonable and distribution of small business loans is excellent.

The geographic distribution of loans in the Las Animas AA reflects reasonable dispersion of loans throughout the CTs of different income levels. The percentage of farm loans and business loans in moderate-income level CTs is near and exceeds the demographic comparator, respectively. Due to the performance context in the Las Animas AA, more weight was given to the distribution of loans to small farms. There are no low-income CTs in this AA.

Farm Loans

The geographic dispersion of loans to farms in the Las Animas AA is reasonable. The portion of farm loans in the moderate-income CT is near the demographic comparator. There are no low-income CTs in this AA.

Table 3A – Geographic Distribution of Loans to Farms in the Las Animas AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agriculture	0.00%	0.00%	53.87%	51.55%	46.13%	48.45%	0.00%	0.00%

Source: Loan sample; U.S. Census data.

Business Loans

The bank’s geographic distribution of business loans reflects excellent dispersion throughout the CTs of different income levels. The percentage of business loans in the moderate-income CT exceeds the demographic comparator. There are no low-income CTs in this AA.

Table 3 – Geographic Distribution of Loans to Businesses in the Las Animas AA								
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	0.00%	0.00%	55.08%	68.42%	44.92%	31.58%	0.00%	0.00%

Source: Loan sample; U.S. Census data.

Monument AA

The geographic distribution of loans in the Monument AA is not meaningful as there are no low- or moderate-income tracts within the AA.

Qualified Investments and CD Services (Optional)

The bank has demonstrated an excellent responsiveness to the community development needs through a high level of community development investments and services.

The bank provided over \$1.59 million in qualified community development investments in 2009 alone, which amounts to 7.12 percent of net tier one capital. These investments include municipal bonds that help school districts where a majority of students are from low- and moderate-income families, or are in distressed or underserved nonmetropolitan middle income areas. Investments also include contributions to local organizations that provide affordable housing and/or serve local low- and moderate-income families.

Our community contact stated that opportunities for bank involvement include help with down payments for affordable housing. The bank has responded to this by becoming a sponsoring member bank for Tri-County Housing, Inc. as well as participating in Homeownership Set-aside Programs, which are down payment assistance programs designed to help first-time homebuyers in rural areas, homebuyers with a disability, and existing homeowners in rural federally declared disaster areas purchase a home. Many bank employees also volunteer their time to provide financial services for affordable housing programs and other local community organizations that serve low- and moderate-income families. Overall, the bank provided qualified community development services to over ten community development organizations.

The bank also provides free checking accounts.

Responses to Complaints

There were no CRA related complaints since the beginning of the previous CRA exam.

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.