



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 09, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples National Bank Colorado
Charter Number 24396**

**5175 North Academy Boulevard
Colorado Springs, CO 80918**

**Comptroller of the Currency
Denver Field Office
1099 18th Street Suite 2650
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 Satisfactory.

A satisfactory rating is appropriate given the bank's ability to meet the credit needs of the community including loans to low- and moderate-income individuals and small businesses. Specifically:

- The bank's pattern of lending to small businesses is good.
- The bank's loan-to-deposit ratio is very good given area competition and credit needs of the community.
- The majority of loans by number and dollar volume are originated within the bank's assessment areas.
- Lending to low- and moderate-income individuals is reasonable and reflects local demographics.

Peoples National Bank of Colorado is committed to serving the credit needs of the communities in which it operates and demonstrates a satisfactory level of lending performance.

DESCRIPTION OF INSTITUTION

Peoples National Bank of Colorado (PNBC) is a \$247 million institution located in central Colorado. PNBC is wholly owned by Peoples, Inc. which is 90% owned by the Winter Trust of December 3, 1974, a multi-bank holding company. In February 2003, the holding company restructured and consolidated its subsidiary banks. The restructuring resulted in PNBC converting from a state bank (Peoples Bank Leadville) to a national bank, moving its main office from Leadville to Colorado Springs and adding branches in Colorado Springs and Pueblo.

The bank operates ten full-service facilities. The main bank office is located in northern Colorado Springs along with branches throughout the city including the downtown, Widefield, and Gleneagle areas. Additional branches are located in the Colorado communities of Buena Vista, Fairplay, and Leadville. Except for one downtown Colorado Springs branch, each location operates a drive-up facility and an ATM. Additionally, the bank operates a stand alone ATM at the City Market Grocery in Buena Vista. The bank faces strong competition from numerous community and regional banks in their assessment areas.

PNBC offers a variety of credit products. The primary loan products by dollar volume are construction development loans at 46 percent of total loans and loans secured by 1-4 family residences at 11 percent of total loans. Our rating of the bank's CRA performance is based on an analysis of these two products. Other loans offered by the bank include nonfarm/nonresidential real estate (33%), commercial and industrial (6%), multifamily residential real estate (2%), and other consumer (2%). Net loans represent 81 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.

We made one community contact in conjunction with this examination. We spoke with a regional economist who indicated local financial institutions have many opportunities to lend with no shortage of funding availability.

This is PNBC's first CRA examination since converting to a national bank charter.

Please refer to the bank's CRA Public File for additional information.

The bank has identified four assessment areas (AA). They include the El Paso and Pueblo metropolitan statistical areas (MSA), Chaffee and Lake Counties, and Park County.

Overall, the bank defined AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

DESCRIPTION OF EL PASO MSA

Communities located in the El Paso AA include Colorado Springs, Monument, and Fountain. Colorado Springs is the County Seat and is home to the US Air Force Academy. Consequently, the Colorado Springs' economy is heavily supported by U.S. military installations.

2000 census data shows the El Paso MSA is comprised of 111 census tracts of which 1 tract is designated as low-income (1%), 32 tracts as moderate-income (29%), 52 tracts as middle-income (47%) and 26 tracts as upper-income (23%). The Department of Housing and Urban Development (HUD) updated MSA median family income is \$61,000. Based on 2000 census data there are 135,068 families residing in the MSA, of which 36% are identified as low- or moderate-income. Income designations are determined based on annual income as a percentage of the MSA median family income.

The local economy grew in 2004 for the first time since 2001. Major components of the economic infrastructure are the Colorado Springs Airport, a Regional Transportation Authority and the Colorado Springs Utilities Southern Delivery System. Economic clusters also exist in academic institutions, service firms and hi-tech companies.

DESCRIPTION OF PUEBLO MSA

The city of Pueblo is the largest community in Pueblo County. Major employers in Pueblo County include public education, medical and mental health centers and Pueblo City and County governments. General economic conditions are stable but lagging behind the national economy. Unemployment has remained steady between 5% and 7% over the past five years.

2000 census data shows the Pueblo MSA is comprised of 51 census tracts of which 19 tracts are designated as moderate-income (37%), 19 tracts as middle-income (37%), and 11 tracts as upper-income (22%). Two census tracts (4%) do not have income designations. There are no low-income census tracts within the MSA. The Department of Housing and Urban Development (HUD) updated MSA median family income is \$45,300. Based on 2000 census data there are 37,624 families residing in the AA of which 39% are deemed as low- or moderate-income. Income designations are determined based on annual income as a percentage of the MSA median family income.

We did not perform an analysis of the bank's performance in the Pueblo MSA. The bank's presence in Pueblo County is minimal. As such, the volume of lending activity in Pueblo County is not sufficient to provide a meaningful sample of loans. This decision did not negatively affect the bank's overall CRA rating.

DESCRIPTION OF CHAFEE and LAKE COUNTIES

Management has designated the contiguous geographies of Chafee and Lake Counties as the geography serviced by the mountain branches in Buena Vista, Leadville, and Fairplay. Chafee and Lake Counties are not part of a metropolitan area. Combined, these counties represent one AA.

Chafee and Lake counties are in mountainous terrain of steep and often inaccessible geographies. The tourist industry dominates the economy. The populations tend to be near main highway arteries traversing through the mountains. 2000 census data shows the two counties' seven census tracts are middle-income tracts except one tract in Lake County that is designated moderate-income. The Department of Housing and Urban Development updated non-MSA median family income is \$42,958. Based on 2000 census data there are 6,313 families residing in the AA of which 40% are deemed as low- or moderate-income. A meaningful percentage of the households (12%) are identified as having income below the poverty level. Income designations are determined based on annual income as a percentage of the AA median family income.

DESCRIPTION OF PARK COUNTY

Park County demographics are similar to Chafee and Lake counties. The community is primarily within mountainous terrain and the tourist industry dominates the area. Although contiguous to Chafee and Lake Counties, Park County is considered a separate AA as it is part of the Boulder-Longmont MSA. 2000 census data shows the county's five census tracts are comprised by four middle-income tracts (80%) and one tract that is designated moderate-income (20%). The Department of Housing and Urban Development updated MSA median family income is \$56,470. Based on 2000 census data there are 4,262 families residing in Park County of which 23% are deemed as low- or moderate-income. A significant percentage of the population (24%) is retired.

We did not perform an analysis of the bank's performance in the Park County AA. The volume of lending activity in Park County is not sufficient to provide a meaningful sample. Further, an analysis of the geographic distribution of loans would not have been meaningful as there is only one moderate-income census tract and no low-income census tracts. This decision did not negatively affect the bank's overall CRA rating.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is very good given area competition and credit needs of the community.

The bank's average quarterly loan-to-deposit ratio since the conversion and name change of the bank in February 2003 is 96 percent. The average quarterly loan-to-deposit ratio of similarly situated banks over the same time period ranged between 69 percent and 83 percent. This bank ranked first among four banks. Similarly situated banks are those banks of similar business lines operating within the same geography.

Lending in Assessment Area

The majority of loans by number and dollar volume are originated within the bank's AAs.

We sampled all home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) in 2004, and 40 commercial loans. Of the 68 loans reviewed, 96 percent by number and 90 percent by dollar volume were originated within the AAs.

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 businesses is satisfactory.

Residential Real Estate Lending

The bank's volume of residential real estate originations to low- and moderate-income families is satisfactory.

El Paso MSA

The distribution of residential real estate secured loans to borrowers of different income levels is reasonable. Within the AA, area demographics indicate low- and moderate-income families comprise 18% and 19% of total families, respectively. Of the nine (9) HMDA reportable loans in the El Paso MSA in 2004, the bank did not originate any loans to low-income families. However, 33% by number and 22% by dollar amount were made to moderate-income families. Median housing cost in the El Paso MSA is \$150M. Demographic information indicates that half of the low-income families report income below the poverty level. Combined, these factors severely restrict the opportunity for low-income families to achieve home-ownership.

Chafee and Lake Counties

The distribution of residential real estate secured loans to borrowers of different income levels is good, particularly to the low-income segment of the population. Within the AA, demographics indicate low- and moderate-income families comprise 19% and 21% of total families, respectively. Of the ten (10) HMDA reportable loans in Chaffee and Lake Counties in 2004, 40% by number and 20% by dollar amount were made to low-income families. There were no loans originated to moderate-income borrowers. Loan penetration to low-income families reflects favorably on the bank's performance. The lack of loan originations to moderate-income families is likely a result of the small volume of loans and is not a significant concern.

Small Business Lending

The distribution of commercial loans originated within the AA indicates satisfactory performance in lending to small businesses.

El Paso MSA

The distribution of construction development loans originated throughout the MSA indicates reasonable performance in lending to businesses of different sizes. Within the AA, 94% of the businesses are small businesses. Of the 20 loans sampled, 40% by number and 34% by dollar volume were originated to small businesses. Although this does not reflect area demographics, it is reasonable given the bank's lending focus. Our analysis further indicated that of the 20 loans sampled, 25% by number and 32% by dollar volume were originated to businesses with annual revenues less than \$500M. This demonstrates that to the extent available, the bank supports small development projects within its AA.

Chafee and Lake Counties

The distribution of construction development loans in this AA indicates good performance in lending to small businesses. Of the 20 loans sampled, 95% by number and 91% by dollar volume were originated to small businesses. These results are consistent with the fact that developments in rural communities tend to be smaller than those in metropolitan areas. The bank's performance compares reasonably to area demographics in which 97% of the businesses for which revenue information was available are small business. Further, 60% of the number and 55% of the dollar volume were originated to very small businesses with revenues less than \$250,000.

Geographic Distribution of Loans

The geographic distribution of loans within the defined AA is satisfactory. Our findings are based on the bank's performance in the El Paso MSA. A geographic distribution analysis within the Chafee and Lake County AA would not have been meaningful as there is no low-income tracts and only one moderate-income tract. An analysis of lending activity in the Pueblo MSA and in Park County was not performed for reasons stated earlier in this report.

Residential Real Estate Lending

El Paso MSA

Within the AA less than 1% of the census tracts are low income while 31% of the tracts are moderate income. Further, within the moderate-income tracts, 21% of the housing units are owner occupied. Our sample revealed that loans originated in moderate-income tracts totaled 33% by number and 63% by dollar volume. The bank's performance reasonably reflects area demographics even though no loans were made in the AA's only low-income tract.

Small Business Lending

El Paso MSA

We sampled 20 construction development loans. Thirty-three percent of all businesses in the MSA are located in low- and moderate-income geographies. The volume of commercial loans originated in low- and moderate-income geographies total 10% each by number and dollar volume. Although this does not reflect area demographics, it is not a significant concern given the bank's business focus on residential real estate development. Much of the new development occurring in the El Paso MSA is located in middle- and upper-income geographies. Low- and moderate-income geographies within the MSA are generally mature areas with little opportunity for further development. Therefore the bank's ability to lend in low- and moderate-income geographies is restricted.

Responses to Complaints

The bank has not received any CRA related complaints

Fair Lending or Other Illegal Credit Practices Review

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