



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 30, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Yuma
Charter Number: 17555**

**615 West Eighth Avenue
Yuma, CO 80759**

**Comptroller of the Currency
Adc-northern Colorado
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”.

First National Bank of Yuma (FNBY) performed at an excellent level in all applicable performance criteria. Generally, FNBY exceeded expectations for a community bank.

- The bank’s quarterly average loan-to-deposit ratio was excellent when compared to other similarly situated banks, and showed a steadily increasing trend,
- The bank’s concentration of lending within its assessment areas was excellent,
- Geographic distribution for home mortgage loans and agricultural loans was excellent, and
- Borrower distribution for home mortgage loans and agricultural loans was also excellent.

DESCRIPTION OF INSTITUTION

FNBY is a community bank headquartered in Yuma, Colorado. Yuma is a rural agricultural town located about 145 miles northeast of Denver. FNBY is owned by Washington Investment Company, which is located at the bank’s headquarters in Yuma.

As of September 30, 2003, FNBY held total assets of \$245 million and total loans of \$202 million. The bank’s loan portfolio was comprised of 33% loans secured by farmland or to finance agricultural production, 26% commercial or industrial loans, 25% construction and land development loans, 11% loans secured by 1-4 family residences, 4% consumer loans, and 1% other loans. There are no legal or financial impediments that impair the bank’s ability to meet the credit needs of its assessment areas.

The bank has experienced rapid growth, primarily through merger/acquisition activity, and now operates ten branches located in four different assessment areas in Colorado. Three of the assessment areas are comprised of whole counties in Metropolitan Statistical Areas (MSA) and one is comprised of three adjacent rural counties. However, since two of the MSA assessment areas are part of the Denver-Boulder-Greeley Consolidated MSA, they will be combined and treated as one assessment area for purposes of this evaluation.

FNBY’s CRA performance was last evaluated as of July 17, 1997, when it received a rating of “Outstanding”.

DESCRIPTION OF ASSESSMENT AREAS

FNBY has four assessment areas, but two of the areas are whole counties (Douglas and Weld) that are part of the same Consolidated MSA. Due to this economic and demographic linkage, these two areas were combined for analysis purposes in this Performance Evaluation. The three assessment areas used to evaluate the bank’s CRA performance are described below.

The bank’s assessment areas meet the legal definition and do not arbitrarily exclude low- and moderate-income areas.

Non-MSA Area

This assessment area is comprised of Logan, Washington, and Yuma counties in northeastern Colorado. This area is where the bank began its operations and where it maintains its headquarters. FNB Y operates 5 branches in this assessment area, with 1 each in the towns of Akron, Otis, and Sterling, and 2 branches in Yuma. This is a rural agricultural area with an estimated population of 35,721 as of the 2000 census. The principle agricultural products are corn, swine, dairy, and beef. The predominant sectors of employment are education, health, and social services; agriculture, forestry, fishing, hunting, and mining; retail trade; construction; and tourism and entertainment. Unemployment in all three counties has trended upwards in the last three years and stood at 3.7% in Logan County, 3.6% in Washington County, and 2.2% in Yuma County at year-end 2002. The percentage of households below poverty level is high, at 15%. The 2002 updated average median family income for the area is \$46,000 and the weighted average median housing value is \$41,937. Note that the poverty level is much higher, and the income and housing values are much lower, in this assessment area than in FNB Y's MSA assessment areas. This assessment area contains 2 moderate-income and 12 middle-income census tracts.

Weld-Douglas County CMSA Area

This assessment area is comprised of Weld and Douglas Counties, which are part of the Denver-Boulder-Greeley Consolidated MSA. The combined population of the two counties was 394,753 as of the 2000 Census. FNB Y operates 4 branches in this assessment area, with 1 each in the towns of Castle Rock, Greeley, Johnstown, and Milliken. The economy of Weld County is more heavily rooted in agriculture and education, with a large meat packing plant, significant other agribusiness operations, and a university located there. Manufacturing is also an important source of employment. Douglas County was one of the 5 fastest growing counties in the entire country during the economic boom of the 1990's. Much of Douglas County is comprised of affluent residential suburbs of Denver and office parks. Residential real estate construction, and to a lesser extent commercial construction, has boomed in this county. Professional, scientific, management, administrative; finance, insurance, and real estate; and retail trade are also important sources of employment. Unemployment has trended upwards in the last 3 years in these two counties as well, with the rate at 4.9% in Douglas County and 6.1% in Weld County as of year-end 2002. About 7% of the households live below poverty level. The 2002 updated average median family income for the area is \$61,184 and the weighted average median housing value is \$191,240. This assessment area contains 1 undesignated, 2 low-income, 8 moderate-income, 24 middle-income, and 41 upper-income census tracts.

Fort Collins-Loveland MSA Area

This assessment area is comprised of Larimer County in northern Colorado, which had a population of 259,472 as of the 2000 Census. FNB Y operates 1 branch in this area, in the town of Loveland. Nearby Fort Collins is home to Colorado State University and a Budweiser Brewery. Agribusiness, manufacturing, and education are the prime movers of the economy. Unemployment has also trended up in Larimer County during the past 3 years and stood at 5.2% at year-end 2002. The poverty level is fairly high in this assessment area, with 12% of the households living below poverty level. The 2002 updated average median family income for the area is \$60,800 and the weighted average median housing value is \$85,232. This assessment area contains 1 undesignated, 3 low-income, 6 moderate-income, 25 middle-income, and 9 upper-

income census tracts.

The competitive environment is strong in the bank's assessment areas. FNBY faces competition from small independent financial institutions, some of which are not subject to loan reporting under the CRA and/or HMDA, and larger banks that are subject to all regulatory reporting requirements. The most recent aggregate mortgage loan information available shows that 598 lenders made at least one home mortgage loan in the bank's assessment areas. And aggregate reporting data for small loans to farms shows that 31 different lenders made at least one loan in the bank's assessment areas. For both kinds of loans, these competitors include large, interstate banks that have immensely greater marketing power than local community banks. This highly competitive banking environment is an important contextual issue for the performance criteria discussed below.

Information from 2 community contacts on file and the bank indicate the need for loans to finance affordable housing, small businesses, new businesses, agricultural operations, and residential construction.

Please see the bank's Public File for additional information about its operations and assessment areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBY's quarterly average loan-to-deposit ratio is excellent. At 81% for the 22 preceding quarters, the ratio compares favorably to those of 7 similarly situated banks, whose performance ranged between 33 percent and 99 percent. Furthermore, the bank's loan-to-deposit ratio reflects a steadily increasing trend since the last CRA examination.

Lending in Assessment Area

FNBY's concentration of lending activity within its assessment areas is excellent. The bank made 92% of its consumer home mortgage loans and 95% of its agricultural loans to borrowers located within its assessment areas.

Geographic Distribution of Loans

Overall geographic distribution of loans is excellent. FNBY achieved excellent distribution in its agricultural loans, which carry the most weight in our analysis due to the predominance of this kind of loan in the bank's loan portfolio. The bank achieved adequate distribution in its home mortgage lending activity, but these loans carry less weight in our overall conclusion because of the lower volume of this product in the bank's loan portfolio.

Home Mortgage Loans

Overall geographic distribution of home mortgage loans is adequate. Distribution was poor in

the Non-MSA area where the majority of loans were made. Distribution was excellent in the Weld-Douglas Counties CMSA and Fort Collins-Loveland MSA areas, but the number of loans made in those two areas together only equaled two-thirds of the total number of loans made in the Non-MSA Area.

Non-MSA Area

The geographic distribution of home mortgage loans in this assessment area was poor. There are no low-income geographies in this area. But, in the moderate-income geographies, the percentage of bank loans (4%) was substantially below the percentage of owner-occupied housing units (12%).

Weld-Douglas Counties CMSA Area

Geographic distribution of home mortgage loans was excellent in this assessment area. The bank did not make any loans in low-income census tracts, but only .32% of the owner-occupied housing units in the area are located in such tracts, which indicates very little opportunity to lend. However, FNBY did make 15% of its loans in this area to borrowers located in moderate-income geographies, which greatly exceeded the percentage of owner-occupied housing units (7%) located in those geographies.

Fort Collins-Loveland MSA Area

Geographic distribution of home mortgage loans was excellent in this assessment area, too. In both low- and moderate-income census tracts, the percentage of bank loans made to borrowers located in those tracts exceeded the percentage of owner-occupied housing units.

Agricultural Loans

The overall geographic distribution of agricultural loans was excellent. Our random sample of these kinds of loans indicates that the bank makes the highest volume of such loans in its Non-MSA Area, the second highest volume in the Weld-Douglas Counties CMSA Area, and very few loans in the Fort Collins-Loveland MSA Area. FNBY achieved excellent distribution in the Non-MSA Area, which carries the most weight, with 68% of the loans in this area. Though geographic distribution was poor in the Weld-Douglas Counties CMSA Area, this performance carries little weight in our conclusions. FNBY made only 26% of its loans in that area, and mitigating circumstances affected its ability to lend in the area, as more fully described below.

Non-MSA Area

The geographic distribution of agricultural loans was excellent in this assessment area. As noted in the assessment area description above, this area did not contain any low-income census tracts. But in the moderate-income tracts, the percentage of bank loans (17%) made to borrowers in those tracts exceeded the percentage of farms (15%) located in those tracts.

Weld-Douglas Counties CMSA Area

The geographic distribution of agricultural loans was poor in this assessment area. The bank did not make any loans to borrowers located in either low- or moderate-income census tracts. However, less than 2% of the farms in this area are in low-income tracts, and only 6% of the

farms are in moderate-income tracts. This indicates very little opportunity to lend in those census tracts. Furthermore, as noted above, FNBY faces strong competition in its agricultural lending activity. Other, and in some cases much larger, financial institutions are meeting the need for credit in this assessment area.

Fort Collins-Loveland MSA Area

The bank's volume of agricultural lending in this assessment area, as indicated by the distribution of our random sample of such loans, was too low for meaningful geographic distribution analysis.

Distribution of Loans to Borrowers of Different Income Levels

The overall borrower distribution of the bank's lending activity was excellent. The bank achieved excellent distribution in its agricultural loans, which carry the most weight. FNBY achieved good distribution in its home mortgage lending.

Home Mortgage Loans

The overall borrower distribution of home mortgage loans was good. The distribution was excellent in the Non-MSA Area, which had the highest concentration of such loans; the distribution was excellent in the Weld-Douglas Counties CMSA, which had the second highest concentration of these loans; and distribution was adequate in the Fort Collins-Loveland MSA area, which had the lowest concentration of loans of this type.

Non-MSA Area

The distribution of loans in this area was excellent after consideration of mitigating circumstances. The percentage of bank loans (7%) made to low-income borrowers was substantially below the percentage of low-income families (20%). However, the high poverty rate in this area, at 15% of the households, was a strong mitigating factor due to the inability of this segment of the population to afford homes. The percentage of loans (26%) to moderate-income borrowers significantly exceeded the percentage of moderate-income families (20%) in the area.

Weld-Douglas Counties CMSA Area

The distribution of home mortgage loans in this assessment area was excellent. The percentage of the bank's loans (12%) made to low-income borrowers equaled the percentage of low-income families (12%) in the area. And the percentage of loans made to moderate-income borrowers (12.2%) was only slightly below the percentage of moderate-income families (13.6%) in the area.

Fort Collins-Loveland MSA Area

The distribution of loans in this area was adequate. The percentage of bank loans (4%) made to low-income borrowers in this assessment area was substantially below the percentage of low-

income families (19%). While the 12% poverty rate in this assessment area does have an impact, it does not fully explain the gap between bank performance and the demographic. The percentage of loans to moderate-income borrowers (16%) was reasonably close to the percentage of moderate-income families (19%).

Agricultural Loans

Overall borrower distribution of agricultural loans was excellent. As noted below, FNBY achieved excellent distribution in the Non-MSA Area where the most loans were made, good distribution in the Weld-Douglas Counties CMSA Area where the second most loans were made, and excellent distribution in the Fort Collins-Loveland MSA Area where the fewest loans were made.

Non-MSA Area

The borrower distribution was excellent in this assessment area. FNBY made 100% of its agricultural loans to borrowers with gross annual revenues equal to or less than \$1 million, which exceeded the percentage of farms (95%) in the area that generate gross annual revenues equal to or less than \$1 million.

Weld-Douglas Counties CMSA Area

Borrower distribution was adequate in this assessment area. The percentage of loans (78%) made by FNBY to borrowers with gross annual revenues equal to or less than \$1 million was reasonably close to the percentage of farms (91%) in the assessment area that generate gross annual revenues equal to or less than \$1 million.

Fort Collins-Loveland MSA Area

Borrower distribution was excellent in this assessment area. The bank made 100% of its loans to borrowers who generate gross annual revenues equal to or less than \$1 million, which exceeded the percentage of farms (93%) in the assessment area that meet the definition of small farms.

Responses to Complaints

FNBY did not receive any consumer complaints regarding its CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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