



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 27, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Trinidad
Charter Number 14222

100 East Main Street
Trinidad, Colorado 81082-0000

Office of the Comptroller of the Currency

Arizona/New Mexico Field Office
9633 South 48th Street, Suite 265
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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.

The institution is rated Outstanding

The First National Bank in Trinidad (FNBT) lending performance in relation to its assessment area (AA) credit needs is outstanding. The bank demonstrated its ability to meet the credit needs of the AA through more than reasonable performance in lending to low- and moderate-income (LMI) individuals. The following information further describes the bank's performance under the Community Reinvestment Act (CRA):

- One hundred percent of the loans sampled are inside the bank's AA.
- The distribution of loans sampled reflects excellent penetration among individuals of different income levels.
- The geographic distribution of loans sampled reflects excellent dispersion throughout the AA.
- The bank's record of providing branches, ATMs and loan production offices enhances credit availability in the AA, including LMI areas.

DESCRIPTION OF INSTITUTION

There are no financial or legal impediments to the bank's ability to meet the credit needs of the AA. The previous CRA Examination dated June 30, 2003, resulted in an Outstanding rating.

FNBT is a \$175 million community bank with the main office located in Trinidad, Colorado, Las Animas County. FNBT has a branch in the Trinidad Wal-Mart and a branch in Huerfano County in Walsenburg, Colorado. FNBT also has a loan production office in Raton, New Mexico.

Republic Trinidad Corporation, a one-bank holding company organized in Houston, TX owns 100 percent of FNBT. There are no other subsidiaries or affiliates.

The bank's primary lending focus is on residential real estate loans. As of December 31, 2009, the loan portfolio mix in this category represents 67 percent of the loan portfolio. The bank's net loans to total assets ratio is 67 percent.

Additional details about the bank may be found in its Public File, maintained at the main office of the bank.

Description of Las Animas and Huerfano Counties in Colorado and Colfax County, New Mexico

FNBT designated all of Las Animas and Huerfano Counties in southeastern Colorado, and Colfax County in northeastern New Mexico as its AA. In March 2009, the Board approved the addition of two Pueblo county census tracts, which are a part of the Pueblo County, Colorado metropolitan statistical area (MSA). Due to minimal loan activity, with only four loans in this new part of the AA, we excluded these two Southern Pueblo county census tracts from our assessment. The AA we evaluated meets the requirements of the regulation, and is in a non-metropolitan statistical area (non-MSA) consisting of 13 contiguous census tracts. Our analysis was of the Colorado assessment area (AA) because it is the larger portion of the two contiguous AA's, and is where the majority of the deposits are generated.

Within the AA, there are four moderate-income census tracts. There are no low-income level census tracts. The HUD adjusted median family income (MFI) for 2009 is \$55,550. Population totals 30,568 by number of persons.

The AA's economic indicators indicate some significant housing challenges. The percentage of households below the poverty level is 17 percent. The percentage of owner-occupied housing is only 49 percent.

The financial sector is competitive. The June 30, 2009 FDIC Market Share Report shows eight financial institutions competed for over \$679 million of insured deposits. This does not include area credit unions. Among similarly situated banks, FNBT accounts for 23 percent of the market share, second only to International Bank with 33 percent of the market share. The only other bank with no branches outside the market area is Century Savings & Loan with 12 percent of the market share. International Bank now has one branch outside of the market. The majority of the other competitors are branches of nation-wide or large regional banks with a significant presence and access to other loans and deposits outside the local market.

Major employers in Las Animas County include the college, city government, and the local school district. Local economic conditions are declining due to the current economic environment. Over the past seven years, the unemployment rate for the area has declined from 6.1 percent to 4.6 percent in Las Animas County and from 8.6 percent to 6.5 percent in Huerfano County.

To gather more current information on the nature of the economic conditions and potential community development opportunities in the AA, we contacted a local community leader during this examination. The contact reported economic conditions as chronically depressed in the Trinidad area. The contact is in local government and identified a need for affordable housing in the community.

Maps and additional information about the bank's assessment area may be found in the bank's Public File, maintained at the main office of the bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This examination consisted of a full scope review of FNBT's performance in its AA. The evaluation period for the CRA focuses on the bank's lending activities over the past seven years from 2003 - 2009. Through discussions with management and a review of bank reports, we determined the bank's primary product to be residential real estate loans, in line with the bank's strategic plan.

We sampled 20 loan originations from the primary loan product to help evaluate the bank's lending performance. The data from the original residential real estate loan sample was also used to calculate the inside/outside AA ratio and to perform other lending tests. Based on the results in the sample and other lending tests, the bank's performance is Outstanding.

Loan-to-Deposit Ratio

FNBT's average quarterly loan to deposit (LTD) ratio of 69 percent during the evaluation period is reasonable given the size, financial condition, and AA credit needs. It meets the standard for satisfactory performance.

The Uniform Bank Performance reports for the first quarter of 2003 through the fourth quarter of 2009 were used to compare FNBT with eight similarly situated banks. The banks share the same geographic locality.

The LTD ratio has declined from 71 percent from the previous evaluation period. FNBT has managed to maintain its LTD despite the significant decrease in loan demand due to current uncertain economic environment, which has limited the lending opportunities in the bank's AA.

The quarterly average LTD ratio is based on overall averages and declined from 71 percent to 69 percent during the evaluation period because total deposits averaged out to more than the average net loan and lease total. Total deposits increased in years 2003 through 2005, hitting a low in 2006, then rebounding to 2003 levels at the end of the fourth quarter 2009. Net loans and leases, however, increased in 2006 and 2007, but began decreasing in 2008 and 2009, where it still ended higher than 2003 levels. Thus, despite the positive trend in loan growth, the LTD ratio is lower than at the last examination. This helps explain the somewhat lower average LTD ratio.

Bank	Average Quarterly Loan-to-Deposit Ratio
FNBT	69%
Eight other financial institutions average LTD ratios	83%
Lowest LTD ratio in Range of other eight institutions	53%
Highest LTD in the range of other eight institutions	110%

Lending in Assessment Area

More than a substantial majority of the bank's loans are inside the AA. Using our original sample of 20 loans, we determined that 100 percent of both dollar and number of 1- to 4- Family conventional loans were inside the AA.

Table 1 - Lending in the AA										
<u>Loan Type</u> Conv. 1-4 Family	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
	20	100%	0	0%	20	2,366	100%	0	0%	\$2,366
Totals	20	100%	0	0	20	2,366	100%	0	0%	

Source: Loan sample

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

The distribution of loan originations sampled reflects an excellent penetration among individuals of different income levels. At 40 percent, the bank significantly exceeds the demographic comparator of 22 percent for moderate-income borrowers. The bank's performance does not exceed the demographic for low-income borrowers. At 20 percent of the number of total loans, the bank is near to, but does not meet the demographic comparator of 26 percent. This can be explained by the limited lending opportunities due to the current economic environment. It is also much more difficult for a low income borrower to qualify for a home mortgage loan without special programs for down payment assistance to meet prudent loan-to-value standards.

The community contact we made indicated that affordable housing is a predominant credit need in the community. This table shows the bank is doing an excellent job in helping meet those needs for affordable housing

Table 2 - Borrower Distribution of Residential Real Estate Loans in the AA								
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
Conv. 1-4 Family	26%	20%	22	40%	21%	15%	31%	25%

Source: Loan sample; US Census data

Geographic Distribution of Loans

The geographic distribution of loans reflects an excellent dispersion throughout the AA. Our analysis included 20 residential real estate loans originated in 2003 through 2009. There are no gaps or an area of low penetration in the bank's lending patterns.

As reflected in the following table, FNBT significantly exceeds the standard for satisfactory performance for moderate-income geographies. There is no opportunity to lend to low-income census tracts because there are no low-income census tracts in the AA.

There is also a high percentage of loans to middle-income census tracts which are not normally given credit for CRA lending. However, a significant number of loans are located in the distressed middle-income non-metropolitan census tracts with eight of the twenty sampled loans located in middle-income census tracts designated as underserved/distressed. Distressed middle-income non-metropolitan census tracts are designated as such due either to poverty levels or population loss or both. Two Huerfano county middle-income census tracts are designated distressed based on poverty. Four Las Animas county middle-income census tracts are designated underserved based on their remote/rural geographic location.

Table 3 - Geographic Distribution of Residential Real Estate Loans in the AA								
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
Conv 1-4 Family	N/A	N/A	41%	60%	44%	40%	15%	0%

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

Qualified Services

FNBT provides branches, other services, and delivery systems that enhance credit availability to its AA. Two branches are located in moderate-income census tracts. Five of the nine deposit-taking ATMs are located in moderate-income areas. The main branch/motor bank, one branch and the LPO are located in middle-income geographies designated underserved or distressed areas. Four of the ATMs are located in middle-income geographies designated underserved or distressed in 2009.

Responses to Complaints

FNBT has received no complaints about its performance in helping meet the AA needs during this evaluation period.

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.