



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 19, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Otis
Charter Number 10852**

**102 North Washington
Otis, Colorado 80743**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Otis** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 19, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

First National Bank of Otis' record of meeting the credit needs of its community is good. Most of the bank's loans are originated in its assessment area. The bank consistently makes loans to individuals of all income levels and businesses of different sizes. The geographical distribution of loans throughout the assessment area is reasonable.

The following table indicates the performance level of *The First National Bank of Otis* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Otis Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

First National Bank of Otis is an \$18 million community bank located in Washington County, 135 miles northeast of Denver. The bank serves Washington and Yuma Counties in northeastern Colorado. It has one banking office and does not operate any Automated Teller Machines. The bank is owned by Washington Investment Company, a \$77 million multibank holding company. The investment company owns three other northeastern Colorado banks in Akron, Wray, and Yuma.

The bank’s loan portfolio reflects the local economy’s dependence upon agriculture, with agricultural loans comprising 67.3% of total loans as of September 30, 1996. The remaining loan portfolio is broken down into real estate-secured loans 26.3% (including 14.6% secured by farmland); 2.8% commercial loans; 2.7% consumer loans; and 0.9% other loans.

First National Bank of Otis is the only financial institution in Otis. However, the bank does face competition from financial institutions in Akron (three commercial banks, a credit union, and a savings and loan) and Yuma (two commercial banks, a credit union, and a savings and loan). The bank’s financial condition is sound. The only constraint on the bank’s ability to meet local credit needs is its small size. This limits the size of loans that can be offered without the participation of other banks. The bank received a “Satisfactory” rating at its March 4, 1993, CRA examination.

DESCRIPTION OF ASSESSMENT AREA:

The bank has designated Washington County and Yuma County as its assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The two counties are not located in a Metropolitan Statistical Area (MSA). Washington County and Yuma County are divided into seven Block Numbering Areas (BNA). Five BNAs are designated middle-income and two BNAs are designated moderate-income based upon the 1990 U.S. Census statewide non-MSA median-family income of \$28,258. The table below provides a breakdown of family income levels within the two counties based upon the updated 1996 statewide non-MSA median family income of \$36,300.

FAMILY INCOME LEVELS WITHIN ASSESSMENT AREA		
<i>Income Classification</i>	<i># of Families</i>	<i>% of Families</i>
Low-income (<18M)	834	21.48%
Moderate-income (\$18M-\$29M)	805	20.73%
Middle-income (\$29M-\$43.5M)	935	24.08%
Upper-income (>\$43.5M)	1,309	33.71%

Total	3,883	100.00%
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Agricultural activity in the assessment area includes cattle production and both dryland and irrigation farming. The economy has benefitted in recent years from generally favorable crop yields and prices. However, recent significant price swings for certain crops and declining cattle prices have increased the economy's volatility. Economic growth in Washington County has been limited. The major sources of employment in Otis are agriculture, a local truss manufacturing company, the school district, and the county. Yuma County has experienced more growth in recent years due to an influx of new businesses, including several large pork producers.

We met with a small business owner in Otis. We also reviewed several previous community contacts in Washington County and Yuma County. The contacts indicated that, overall, local banks are adequately meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

First National Bank of Otis' loan-to-deposit ratio is reasonable given its size, financial condition, and operating environment. The average loan-to-deposit ratio for the eight quarters ended June 30, 1996, is 66.0%. This is consistent with seven similarly situated banks with assets between \$8 million and \$30 million in northeastern Colorado. The average loan-to-deposit for these seven banks over the same time period is 67.4%.

Lending in Assessment Area

First National Bank of Otis originates a substantial majority of its loans within the assessment area. We reviewed all loans originated between January and November of 1996 and found that 89% of agriculture/business loans and 95% of consumer loans, based on number of loans originated, were within the assessment area.

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

The bank's distribution of loans reflects a strong penetration among individuals and businesses of different income levels and sizes. We sampled 20 of the 57 consumer purpose loans (35%) originated between January and November of 1996. The following table summarizes the results of the sample:

DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME LEVEL			
<i>Income Category</i>	<i>Loan Sample</i>		<i>Family Distribution Within Each Income Category</i>
	<i>Number</i>	<i>Percent</i>	<i>Percent</i>
Low-income (<\$18M)	7	35.0%	21.5%
Moderate-income (\$18M-\$29M)	6	30.0%	20.7%
Middle-income (\$29M-\$43.5)	4	20.0%	24.1%
Upper-income (>\$43.5M)	3	15.0%	33.7%
Total Consumer Loans Sampled	20	100.0%	100.0%

The table shows that First National Bank of Otis actively lends to individuals of all income levels. Sixty-five percent of the loans were made to low- or moderate-income individuals. This is well above the percentage of low- and moderate-income families in the assessment area.

We also sampled 25 of the 116 agriculture and business loans (22%) originated between January and November of 1996. The following table summarizes the results of the sample:

DISTRIBUTION OF AGRICULTURE/BUSINESS LOANS BY ANNUAL REVENUE		
	<i>Number of Loans Reviewed</i>	<i>Percent of Loans Reviewed</i>
Revenues Less Than \$500M	20	80%
Revenues Between \$500M and \$1,000M	3	12%
Revenues Greater Than \$1,000M	2	8%
Total Agriculture/Business Loans Sampled	25	100%

The table shows 80% of commercial loans were made to farms and businesses with annual revenues of less than \$500,000 and 92% were made to farms and businesses with annual revenues of less than \$1 million. This clearly demonstrates that First National Bank of Otis is serving the credit needs of small farms and businesses.

Geographic Distribution of Loans

First National Bank of Otis’ geographic distribution of agriculture and business loans throughout the BNAs comprising the assessment area is reasonable. The following table demonstrates that the bank originates loans in both moderate- and middle-income BNAs within the assessment area:

GEOGRAPHIC DISTRIBUTION OF AGRICULTURE/BUSINESS LOANS								
<i>BNA Tract Characteristics</i>	<i>Agriculture/Business Loans Originated Within Assessment Area BNAs</i>				<i>Assessment Area Breakdown by BNAs</i>		<i>Population of BNAs Comprising Assessment Area</i>	
	#	%	\$000	%	#	%	#	%
Moderate-income	13	12.6%	\$1,813	23.2%	2	28.6%	3,734	27.1%
Middle-income	90	87.4%	\$6,013	76.8%	5	71.4%	10,032	72.9%
Total	103	100.0%	\$7,826	100.0%	7	100.0%	13,766	100.0%

The bank’s location in Otis, which is designated a middle-income BNA, accounts for the higher percentage of loans in the middle-income category.

Response to Complaints

No CRA related complaints have been received by the bank.

Record of Compliance with Antidiscrimination Laws

We found no violations or evidence of discrimination during our examination.