



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

September 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Lake City & Creede
Charter Number 17801**

**231 Silver Street
Lake City, Colorado 81235**

**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 **First National Bank of Lake City & Creede** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 8, 1998. 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 Lake City & Creede (FNB) is committed to meeting the credit needs of its assessment area and has demonstrated satisfactory lending performance. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans continue to be originated within the bank's assessment area. Overall, lending activities reflect a reasonable penetration among borrowers of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION:

FNB is a commercial bank with total assets of \$23 million. Its ownership is widely held by 191 shareholders. The bank operates its main office in Lake City, Colorado, and a branch in Creede, Colorado. Both locations offer basic banking services and a cash dispensing automated teller machine (ATM). The bank has no constraints in its ability to meet various credit needs within its assessment area. Lending activities have steadily increased over the past two years. As of June 30, 1998, the composition of the loan portfolio is identified in the following chart.

Total Loans	Percent of Loans
Real Estate Loans	78
Commercial Loans	11
Consumer Loans	11
Total	100

The prior CRA Performance Evaluation is dated October 16, 1996. The bank received a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s assessment area is reasonable, complies with regulatory requirements, and does not arbitrarily exclude low- or moderate-income geographies. The assessment area consists of five Block Numbering Areas (BNAs) in three Colorado counties: Hinsdale, Mineral, and Rio Grande. Hinsdale County is the least populated county in Colorado with 97% of the land designated as public land. Lake City is the county seat and only town in the county. The entire county consists of one BNA which is categorized as middle income. Creede is the county seat and only town in Mineral County. Mineral County, also one BNA, is categorized as moderate-income. The bank anticipates further growth in Rio Grande County and has designated part of this county in the assessment area. Of the three BNAs in Rio Grande County, two are categorized middle income and the other is moderate income.

The following chart shows the composition of the assessment area by BNA type.

Block Numbering Area Type	Number of BNAs in Assessment Area	Percent of BNAs in Assessment Area
Low Income	0	0
Moderate Income	2	40
Middle Income	3	60
Upper Income	0	0
Total	5	100

Based on 1990 U.S. Census information, the income of levels of families within the assessment area consists of the following:

Income Level	Percent of Families
Low Income	24
Moderate Income	25
Middle Income	22
Upper Income	29
Total	100

FNB is the only financial institution in Hinsdale County. Mineral County is served by FNB's branch in Creede, Colorado, and one additional bank. The Rio Grande County BNAs are served by one additional commercial bank in the town of Del Norte. Management states the bank's market includes permanent and seasonal residents and area businesses. The services, retail, finance/insurance, and real estate businesses make up the majority of the employment in the area. Information provided by community contacts indicates that the bank is satisfactorily meeting the community's credit needs.

The 1998 weighted average of Metropolitan Statistical Area (MSA) and non-MSAs median family income is \$39,000. The weighted average of median housing value for the assessment area is \$60,509. Based on information provided by the Lake City/Hinsdale Chamber of Commerce, the cost of single-family homes continues to rise. In the fall of 1996, the cost ranged from \$75,000 to \$300,000. In the Fall of 1998, the cost rose to a range from \$100,000 to \$400,000. Most of the single-family residences are owned by part-time residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. The average loan-to-deposit ratio for the previous eight quarters ending June 30, 1998, is 82%. This compares favorably to the loan-to-deposit ratios of three similarly situated banks whose eight-quarter averages range from 54% to 79%. The banks were selected on their business focus and seasonal business activities.

Lending in Assessment Area

A substantial majority of the bank's loans are originated within its assessment area. We reviewed 46 one- to four-family residential real estate loans and 52 commercial loans originated from January 1997 through September 7, 1998. The table below summarizes our findings.

Loan Originations	Number of Loans Sampled		Dollar Value of Loans Sampled	
	Number	Percent of Total Number	Dollar Value \$(000's)	Percent of Total Dollar Value
In Assessment Area	92	94	4,037	91
Out of Assessment Area	6	6	407	9
Totals	98	100	4,444	100

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Lending patterns reflect a reasonable penetration of loans to individuals of different income levels. We sampled 34 one- to four-family residential real estate loan originated between January 1997 and September 7, 1998. See the following chart for distribution.

Income Designation of the Borrower	Percent of Families in the Assessment Area	Number of Loans Based on Sample	Percent of Loans Based on Sample	Dollar Amount of Loans Based on Sample \$(000's)	Percent of Dollars Based on Sample
Low	24	6	18	316	16
Moderate	25	13	38	666	34
Middle	22	6	18	209	11
Upper	29	9	26	766	39
Totals	100	34	100	1,957	100

The bank has a good penetration of loans to small businesses. We sampled 31 commercial loans originated between January 1997 and September 7, 1998. All loans in our sample were to businesses with gross annual revenues of less than \$1 million. Further, the table below shows that 84% of the number of originated commercial loans went to businesses with gross annual revenues less than \$250,000.

Annual Gross Revenues	Number of Loans in Sample	Percent of Loans in Sample	Dollar Amount of Loans Sampled \$(000's)	Percent of Dollars Sampled
Less than \$100,000	15	48	295	30
\$100,000 to \$250,000	11	36	398	40
Over \$250,000	5	16	297	30
Totals	31	100	990	100

Geographic Distribution of Loans

We did not analyze the geographic distribution of loans. This analysis would not be meaningful as 87% of the loans in the sample were made to borrowers in Lake City or Creede. All of Lake City is within a middle-income BNA. And Creede is within a moderate-income BNA.

Response to Substantiated Complaints

The bank has not received a written complaint regarding its CRA activities since our October 16, 1996, Performance Evaluation.

Record of Compliance with Antidiscrimination Laws

Our fair lending examination did not find any evidence of discrimination or practices intended to discourage low- and moderate-income applicants from applying for credit.