



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 13, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Pikes Peak National Bank  
Charter Number 15058

2401 West Colorado Avenue  
Colorado Springs, CO 80934-6669

Office of the Comptroller of the Currency

Denver Field Office  
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 Satisfactory.**

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

- The loan-to-deposit ratio of 59 percent is reasonable.
- A substantial majority of loans by number and dollar volume are originated within the bank's assessment area (AA).
- The bank's pattern of lending to low- and moderate-income borrowers and small businesses reasonably reflects area demographics.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- There have been no complaints about its performance and there is no evidence of illegal discrimination or other illegal credit practices

Pikes Peak NB is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

## SCOPE OF EXAMINATION

The bank's primary loan products by dollar volume are non-farm non-residential loans and 1-4 family residential loans. Our rating of the bank's CRA performance is based on an analysis of these two products. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

## DESCRIPTION OF INSTITUTION

Pikes Peak NB (PPNB) is an \$85 million institution located in central Colorado. PPNB is wholly owned by Pikes Peak National Company, a one-bank holding company located in Colorado Springs, Colorado. The bank comprises substantially all of the holding company assets.

The bank operates three full-service facilities. Two branches are in Colorado Springs. One branch is in Fountain, Colorado, south of Colorado Springs. Each location has teller drive-up operations. All locations have ATM's, none of which are deposit taking. The bank faces strong competition from numerous community and regional banks operating in Colorado Springs.

PPNB offers a variety of credit products. The following chart details a breakdown of PPNB's loan portfolio as of September 30, 2009.

<b>Loan Portfolio Composition as of September 30, 2009</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Non-farm Non-Residential	30,927	58.47
1-4 Family Residential	10,161	19.21
Commercial & Industrial	4,718	8.92
Consumer	4,554	8.61
Other Loans	2,534	4.79
<b>Total</b>	<b>52,894</b>	<b>100.00</b>

*Source: September 30, 2009 Report of Condition*

Based on its financial condition, the local economy, and product offerings, PPNB has the ability to meet the various credit needs of the community.

Pikes Peak National Bank received a "Satisfactory" rating at the last CRA examination dated March 9, 2004.

*Refer to the bank's CRA Public File for more information.*

## DESCRIPTION OF ASSESSMENT AREA(S)

Management has designated the entire Colorado Springs MSA as its assessment area (AA). Colorado Springs is the largest city in El Paso County. Based on 2008 census data, this AA is comprised of 118 census tracts, of which one (1%) is designated as low-income, 33 (28%) as moderate-income, 58 (49%) as middle-income, and 26 (22%) as upper-income. The Department of Housing and Urban Development (HUD) 2008 MSA updated median-family income for this MSA is \$68,000. Based on 2000 US Census data, there are 141,012 families residing within the MSA of which 36% are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the MSA median-family income. Specific demographic data and economic data for this area are listed below.

<b>Demographic and Economic Characteristics of Colorado Springs MSA</b>	
Population	
Number of Families	141,012
Number of Households	200,579
Geographies	
Number of Census Tracts	117
% Low-Income Census Tracts	1%
% Moderate-Income Census Tracts	28%
% Middle-Income Census Tracts	49%
% Upper-Income Census Tracts	22%
Median Family Income (MFI)	
2000 MFI for AA	54,037
2008 HUD-Adjusted MFI	68,000
Economic Indicators	
Unemployment Rate	2.31
2002 Median Housing Value	150,808
% of Households Below Poverty Level	8%

Source: 2000 Census data and HUD updated income data.

Local economic conditions are weak and have been impacted by the deepening national recession. Colorado Springs' economy is primarily driven by military, the high-tech industry, and tourism. Colorado Springs unemployment continues to rise primarily due to layoffs in the high-tech sector. Intel closed its semiconductor plant in 2007 and Atmel has laid off over 500 people from its semiconductor plant in the last six months. Colorado Springs is home to both Army and Air Force bases and their numerous support bases around the county. Area job losses combined with record number of home foreclosures have significantly driven down single-family home prices. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

We made one community contact in conjunction with this examination. They indicated that the area economy has experienced a sharp downturn in the past few years. Both commercial and residential real estate comprise one of the largest industries in the local market and the real estate downturn has driven homebuilders out of the area and bankrupted larger commercial projects. In addition, the growing war in the Middle East

has affected the population, as there is a large military presence in the area. Almost 15 thousand of Fort Carson's 25 thousand troops are deployed overseas at any one time. The greatest credit needs are for real estate financing and re-financing to promote re-growth and confidence in the area's economy. Area financial institutions are relatively responsive to the credit needs of the community especially in light of the current economic situation.

*Refer to the bank's CRA Public File for more information.*

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

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

The bank's quarterly average loan-to-deposit ratio since the previous CRA exam is 59 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 61 percent, and ranged from 35 percent to 82 percent. Similarly situated banks are those banks of similar business lines operating within the same geography. The bank's lending volume has increased over the past years with its loan-to-deposit ratio at 67% as of September 30, 2009. PPNB ranks third among five banks both for its quarterly average ratio and for its actual loan-to-deposit ratio for September 2009.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$ (000's) (As of 09/30/09)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>Pikes Peak National Bank</b>	<b>84,978</b>	<b>58.59%</b>
Peoples National Bank	182,728	79.57%
The Bank at Broadmoor,	171,559	69.48%
Colorado National Bank	123,508	82.06%
FirstBank of El Paso County	154,151	35.38%

### Lending in Assessment Area

A substantial majority of loans and other lending-related activities are in the institutions assessment area. In order to assess performance for this area we sampled 27 non-farm non-residential and 27 1-4 family residential loans. Of the 54 loans reviewed, 93 percent by both number and dollar volume were originated within the AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Areas								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Non-Farm Non-Res	26	96	3,974,518	91	1	4	369,857	9
1-4 Family	24	89	992,392	98	3	11	16,301	2
Total Reviewed	50	93%	\$4,966,910	93%	4	7%	\$386,158	7%

Source: Sample of loans used for CRA performance analysis.

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

PPNB’s loan portfolio reflects a reasonable distribution among individuals and families of various income levels (including low- and moderate-income) and businesses of different sizes within their AA. To perform our analysis, we reviewed income information of 26 non-farm non-residential and 24 1-4 family residential loans in the Pikes Peak AA.

1-4 Family Residential Loans – The bank’s pattern of 1-4 family residential loan originations to low- and moderate-income borrowers is excellent. Within the bank’s assessment area, demographics indicate low- and moderate-income families comprise 14 percent of total families. By number, 71 percent of sampled loans were originated to low- and moderate- income borrowers and by dollar amount, 35 percent of sampled loans were originated to low- and moderate-income borrowers, as demonstrated in the following table:

Borrower Distribution of Residential Real Estate Loans in Colorado Springs MSA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner-Occupied Units	0.11%		13.70%		58.24%		27.95%	
LOANS	% of Number	% of Amount						
Total	50.0%	20.19%	20.83%	15.19%	8.33%	11.39%	20.83%	53.23%

Source: Loan sample; 2000 U.S. Census data.

Non-Farm Non-Residential Loans – The distribution of non-farm non-residential originated in the bank’s AA indicates reasonable performance in lending to businesses of different sizes. Of the 26 loans sampled, 69 percent by number and 69 percent by dollar volume were originated to small businesses, compared to area demographics, which indicates that 94 percent of businesses in the AA for which revenue information is available are small businesses. This level reflects a satisfactory penetration of business loans to small businesses. The following chart reflects the results of our selected sample of business loans originated in this AA.

<b>Borrower Distribution of Loans to Businesses in AA</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94.58%	5.42%
% of Bank Loans in AA by #	69.23%	30.77%
% of Bank Loans in AA by \$	68.90%	31.10%

Source: Loan sample; 2008 Business Demographic Data

### Geographic Distribution of Loans

PPNB’s geographic distribution of loans within the census tracts is reasonable given the bank’s business strategy and locations.

We sampled 24 residential-purpose loans originated within the AA and 26 business-purpose loans originated within the AA.

1-4 Family Residential Loans – Our analysis indicates that the geographic distribution of PPNB’s lending in the low- and moderate-income census tracts for consumer loans is comparable to the demographic composition of the Colorado Springs MSA. 29 percent of the census tracts in the AA are low- to moderate-income tracts. Our review determined that 25 percent of loans by number and 12 percent of loans by dollar were located in low- and moderate-income census tracts. The following chart reflects the results of our selected sample of residential real estate loans originated in the AA

<b>Geographic Distribution of Residential Real Estate Loans in Colorado Springs MSA</b>								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA	0.85%		27.97%		49.15%		22.03%	
LOANS	% of Number	% of Amount						
Total	0%	0%	25.00%	12.09%	66.67%	77.19%	8.33%	10.71%

Source: Loan sample; 2000 U.S. Census data.

*Non-Farm Non-Residential Loans* - Our analysis indicates that the geographic distribution of PPNB's lending in the low- and moderate-income census tracts for commercial loans is comparable to the demographic composition of the Colorado Springs MSA. 29 percent of the census tracts in the AA are low- to moderate-income tracts. Our review determined that 26 percent of loans by number and 39 percent of loans by dollar were located in low- and moderate-income census tracts. The following chart reflects the results of our selected sample of business loans originated in PPNB's AA.

<b>Geographic Distribution of Business Loans in Colorado Springs MSA</b>								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA	0.85%		27.97%		49.15%		22.03%	
LOANS	% of Number	% of Amount						
Total	4.17%	4.97%	16.67%	24.46%	62.50%	63.41%	16.67%	6.07%

Source: Loan sample; 2008 Business Geodemographic Data

### **Responses to Complaints**

The bank has not received any CRA-related complaints since the previous CRA examination in March 2004.

### **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.