



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 9, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Estes Park
Charter Number: 15472

255 Park Lane
Estes Park, CO 80517

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 bank's loan to deposit ratio is good given area competition and the credit needs of the community.
- The majority of loans by number and dollar volume are originated within the bank's assessment areas.
- The bank's pattern of lending to low- and moderate-income borrowers and small businesses reasonably reflects area demographics in the Larimer County Assessment Area.
- The bank's pattern of lending to low- and moderate-income borrowers and small businesses in the Boulder County Assessment Area is not significant to the bank's overall lending focus, and is not meaningful to the bank's overall performance.

First National Bank of Estes Park 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 loans secured by non-farm nonresidential properties and loans secured by residential properties. Our rating of the bank's CRA performance is based on an analysis of these two products between January 1, 2005 and December 31, 2009.

DESCRIPTION OF INSTITUTION

First National Bank of Estes Park (FNB) is a \$99 million institution located in central Colorado. First National Financial Corporation, a one-bank holding company headquartered in Estes Park, Colorado wholly owns FNB. FNB accounts for substantially all the assets of First National Financial Corporation.

The bank operates three full-service facilities. In addition to the main office in Estes Park, one branch is on the southern edge of the community, both within the Fort Collins-Loveland MSA. The other branch is in Niwot, Colorado, located within the Boulder County MSA. The Niwot branch offers primarily deposit products and only limited loan services. The Niwot branch holds only 0.13% of the deposit market share of the Boulder County MSA and does not represent a material market presence in the MSA. Except for Niwot, each location operates a drive-up facility. All locations offer an ATM with an additional deposit-taking ATM in downtown Estes Park. The bank faces strong competition from numerous community and regional banks in its assessment areas.

FNB offers a variety of credit products. The primary loan products by dollar volume are non-owner occupied commercial real estate secured loans at 48 percent and 1 to 4 family residential secured loans at 16 percent of total loans. Our rating of the bank's CRA performance is based on an analysis of these two products. Other loans offered by the bank include owner occupied commercial real estate secured loans (12%), commercial and industrial (10%), 1 to 4 family construction (8%), and other construction and land development loans (4%). Net loans represent 70 percent of the bank's total assets. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

The following chart details a breakdown of FNB’s loan portfolio as of December 31, 2009.

Loan Portfolio Composition as of December 31, 2009			
Loan Category	\$ (000)	%	# of Loans
Non Owner Occupied: Non Farm Non Residential Real Estate	38,570	47.72	61
1-4 Family Residential	12,949	16.02	98
Owner Occupied: Non Farm Non Residential Real Estate	9,410	11.64	36
Commercial & Industrial	8,426	10.42	110
1-4 Family Construction	6,700	8.29	37
Other Construction & Land Development	3,439	4.25	13
Consumer	1,111	1.38	81
Multi-Family	225	0.28	1
Total	80,830	100	437

Source: December 31, 2009 Report of Condition

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

We made a community contact with two individuals at one meeting for this examination. We spoke with the Deputy Town Administrator and the Finance Assistant. These individuals stated that affordable housing is the primary need in the community.

FNB received a “Satisfactory” rating at the last CRA examination dated September 27, 2004.

Please refer to the bank’s public file for additional information.

DESCRIPTION OF FT. COLLINS-LOVELAND MSA AND BOULDER-LONGMONT MSA

Management has designated two assessment areas (AA). These are contiguous counties located in Central Colorado. One AA is comprised of the Ft. Collins-Loveland MSA. The majority of the bank’s loan and deposit activity take place in this AA. Based on 2000 census data, this AA is comprised of 56 census tracts, of which 2 (3.57%) are designated as low-income, 12 (21.43%) as moderate-income, 31 (55.36%) as middle-income, and 11 (19.64%) as upper-income. The HUD 2008 MSA updated median-family income for this MSA is \$75,000. Based on 2000 US Census data, there are 63,682 families residing within the MSA, of which 3.57 percent are low-income and 21.43 percent are moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

Demographic and Economic Characteristics of Ft. Collins – Loveland Assessment Area	
Population	
Number of Families	63,682
Number of Households	97,128
Geographies	
Number of Census Tracts/BNA	56
% Low-Income Census Tracts/BNA	3.57%
% Moderate-Income Census Tracts/BNA	21.43%
% Middle-Income Census Tracts/BNA	55.36%
% Upper-Income Census Tracts/BNA	19.64%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	59,865
2008 HUD-Adjusted MFI	75,000
Economic Indicators	
Unemployment Rate	2.39%
2000 Median Housing Value	NA
% of Households Below Poverty Level	9.10%

Source: 2000 Census data and HUD updated income data.

The second AA is comprised of the Boulder-Longmont MSA. Based on 2000 census data, this AA is comprised of 64 census tracts, of which 2 (3.13%) are designated as low-income, 15 (23.44%) as moderate-income, 26 (40.63%) as middle-income, and 20 (31.25%) as upper-income. One (1.56%) census tract does not have an income designation. The Department of Housing and Urban Development (HUD) 2008 MSA updated median-family income for this MSA is \$85,000. Based on 2000 US Census data, there are 63,780 families residing within the MSA, of which, 1.10 percent are low-income and 21.80 percent are moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

The bank has minimal banking activity in this AA, although the Niwot branch office is located within the AA. The Niwot branch office is located within a supermarket and staffing does not include a commercial loan officer. Larger commercial or real estate loans that originated at this branch are now transferred and serviced from the main office in Estes Park. The branch’s deposits comprise 9.43% of the bank’s total deposits and 4.5% of the bank’s total loans. Due to the bank’s limited presence in this AA, we did not place significant weight on the bank’s CRA performance in the Boulder-Longmont MSA.

For CRA purposes, we placed major emphasis on FNB’s pattern of lending to low- and moderate-income borrowers and small businesses within the Fort Collins-Loveland area because FNB’s focus for loans and deposits are in that AA.

Demographic and Economic Characteristics of Boulder-Longmont Assessment Area	
Population	
Number of Families	63,780
Number of Households	106,658
Geographies	

Number of Census Tracts/BNA	64
% Low-Income Census Tracts/BNA	3.13%
% Moderate-Income Census Tracts/BNA	23.44%
% Middle-Income Census Tracts/BNA	40.63%
% Upper-Income Census Tracts/BNA	31.25%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	72,461
2008 HUD-Adjusted MFI	85,000
Economic Indicators	
Unemployment Rate	2.46%
2000 Median Housing Value	NA
% of Households Below Poverty Level	9.51%

Source: 2000 Census data and HUD updated income data.

We made a community contact with two City of Estes Park employees. The Estes Park economy is heavily dependent upon tourism, with the local employment base predominantly in the public sector and private sector tourist supported industries. There is an increasing shortage of affordable housing for prospective residents and employees during the tourist season. Even so, the dominant natural phenomena of mountains and forests favorably affect the area’s commercial opportunities.

The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Please refer to the bank’s public file for additional 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 91 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 103 percent and ranged from 34 percent to 145 percent. Similarly situated banks are those banks of similar business lines operating within the same geography. This bank ranked fifth among seven banks for its quarterly average ratio.

Lending in Assessment Area

The majority of loans by number and dollar volume are originated within the bank’s AAs. In order to assess performance for this area we sampled 20 loans secured by residential properties and 20 loans secured by non-farm nonresidential properties. Of the 40 loans reviewed, 100 percent by number and 100 percent by dollar volume were originated within the AAs.

<i>Lending in the Assessment Areas</i>								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Secured by Residential Properties	20	100	5,375	100	0	0	0	0
Secured by Non-Farm Nonres. Properties	20	100	8,891	100	0	0	0	0
Total Reviewed	40	100	14,266	100	0	0	0	0

Source: Sample of loans used for CRA performance analysis.

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

The bank’s pattern of lending to low- and moderate-income borrowers and small businesses reasonably reflects area demographics in the Fort Collins-Loveland MSA, where we place the most emphasis on the bank’s lending patterns since the bank does not have a significant presence in the Boulder County MSA (less than 10% of deposits and 5% of loans).

Fort Collins-Loveland MSA

Within the Fort Collins-Loveland MSA, area demographics indicate low-income comprise 1.34 percent and moderate-income an additional 15.13% of total families. Our review of 20 loans secured by residential real estate indicates the bank’s pattern of lending to low- income borrowers reasonably meets area demographics and lending to moderate-income borrowers is below area demographics. 10 percent of loans secured by residential real estate were originated to low-income borrowers and 10% to moderate-income borrower’s within the AA. The high cost of housing and that 9 percent of the households in the area are below poverty level, are factors in precluding the ability to afford home purchases. These factors naturally preclude some low- and moderate-income borrowers from the real estate market.

Borrower Distribution of Loans Secured by Residential Real Estate in Larimer County, Colorado (Fort Collins-Loveland MSA)								
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
Consumer Loans	1.34%	10%	15.13%	10%	62.59%	15%	20.94%	65%

Source: Loan sample; 2008 U.S. Census data.

The distribution of commercial loans secured by real estate originated in the Ft. Collins-Loveland MSA indicates good performance in lending to businesses of different sizes. Of the 20 loans sampled, 95 percent by number and 98 percent by dollar volume were originated to small businesses. This compares favorably to area demographics in which

95 percent of the businesses for which revenue information was available are small businesses.

Loans Secured by Nonfarm Nonresidential Properties – Fort Collins-Loveland MSA		
Revenues	≤\$1,000,000	>\$1,000,000
% of Business AA Loans	95%	5%
% of Bank Loans in AA by #	95%	5%
% of Bank Loans in AA by \$	98%	2%

Source: Loan sample; 2008 Business Demographic Data

Boulder-Longmont MSA

FNB’s limited lending activity within the Boulder-Longmont MSA precluded any meaningful analysis of their lending to different incomes and businesses within that AA. The absence of adequate loan volume precludes a meaningful loan sample in any loan products. And, as stated earlier, only 4.5% of the bank’s total loans derive from the Boulder-Longmont MSA. The bank has a total of only 11 loans within the AA, with only 4 consumer loans and 7 loans to businesses. Of those loans in the MSA, two of four consumer loans were to low-income or moderate-income borrowers. Of the seven business loans sampled, 100 percent by number and dollar volume were originated to small businesses with annual revenues less than \$1 million. Based on 2000 census data, area demographics indicate 1.10% low-income and 21.80% moderate-income families of total families. Small businesses with revenues less than \$1 million comprise 65.11% of area businesses, with 4.02% > \$1 million in revenue, and 30.8% not reported

Low penetration of lending activity within the Boulder-Longmont MSA does not adversely affect FNB’s overall performance in lending to different incomes and businesses since 96% of their lending activity occurs within the Fort Collins-Longmont AA.

Geographic Distribution of Loans

Fort Collins-Loveland

The geographic distribution of commercial real estate secured loans is reasonable. We sampled 20 commercial real estate loans originated in the Larimer County AA. All of the loans were originated in middle-income geographies. This is not a concern given the unique geographic characteristics of this and that the low- and moderate-income geographies within the AA are located outside of the Estes Park city geography. The geographic distribution of loans within the Fort Collins-Loveland MSA is reasonable. Ninety percent of the loans sampled were originated in middle-income geographies. One loan was originated in an upper-income geography and one loan was originated in a moderate-income geography. This is not a significant concern given the size of the bank and the location of the branches. All the low- and moderate-income geographies in this MSA are located in the cities of Fort Collins and Loveland, and are some distance from the bank’s offices located in Estes Park. Estes Park is predominantly a middle-income area located in a mountainous valley. Estes Park is not

a practical banking choice for consumers living outside the immediate area.

Boulder-Longmont MSA

The geographic distribution of loans within the Boulder-Longmont MSA is minimal. As stated above, we were unable to obtain a meaningful sample due to the low volume of loans originated in the country. However, of the 11 loans found within the MSA, three (27.27%) loans were originated in a moderate-income geography while zero loans were originated in a low-income geography. 2000 census data reflects that 23.44% of 64 census tracts are designated as moderate-income and 3.13% as low-income. Due to the bank's limited presence in this AA, and the low volume of loans, we did not place significant weight on the geographic distribution of loans in the Boulder-Longmont MSA.

Community Development Loans

The bank currently has two loans that qualify as community development loans as they provide funds to qualified community development organizations which provide services to low to moderate income individuals. One of the organizations provides low cost drug and alcoholic rehabilitation services; the other provides low cost health care.

Responses to Complaints

The bank has not received any CRA related complaints since the previous examination.

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.