



## **PUBLIC DISCLOSURE**

April 17, 2017

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

Colorado National Bank  
Charter Number 8004

600 West 8th Street  
Palisade, CO 81526-0000

Office of the Comptroller of the Currency

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, and should not 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.

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## Overall CRA Rating

### The Lending Test is rated: Satisfactory

Colorado National Bank (CNB) has an overall Satisfactory record of meeting community credit needs. The following factors support the rating.

- The loan to deposit (LTD) rating is reasonable given the bank's size, financial condition, competition, and assessment area (AA) credit needs of the community. The LTD was given more weight than the Lending to Borrowers of Different Incomes and to Businesses of Different Sizes and Geographic Distribution of Loans ratios due to the overall low level of bank lending during the evaluation period.
- CNB originates a majority of loans within its combined AA, although a majority of the dollar volume of loans are outside the bank's AA.
- The distribution of loans to small businesses is at a reasonable level.
- The overall geographic distribution of commercial lending reflects excellent dispersion throughout census tracts of different income levels.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Colorado National Bank (CNB) is a \$56 million financial institution officially based in Palisade, Colorado but managed out of the Denver branch. The bank is a wholly owned subsidiary of Colorado National Bancorp., a bank holding company headquartered in Denver, Colorado. CNB received a “Satisfactory” rating at the last examination dated October 10, 2011.

CNB has two branches, one in Palisade, Colorado, a small town with less than 3,000 residents and one branch that opened February 1, 2012, located in downtown Denver, Colorado. The Denver branch relocated to its current address on June 30, 2014. CNB has one deposit-taking ATM positioned at the Palisade branch. CNB is a member of the MoneyPass Network, which provides surcharge-free access at more than 23,000 ATMs across the United States. All facilities are located in the bank’s delineated AAs. Both branches are full-service facilities. The Denver branch is located in an upper-income CT, which borders 2 low- and 2 moderate-income CTs. The Palisade branch is located in a middle-income CT, which borders 2 moderate-income CTs.

The Grand Junction Metropolitan Statistical Area (MSA) is comprised of Mesa County. Grand Junction is located in a valley at the junction of the Colorado and Gunnison Rivers on the western slope of the Rocky Mountains. The City of Grand Junction is the largest community in the county and in western Colorado. Other communities in the MSA include Palisade, Clifton, Collbran, De Beque, Fruita, Mesa, and Molina. The MSA has 29 CTs with six moderate-, 16 middle-, and 7 upper-income CTs. There are no low-income CTs. The 2010 US Census lists the MSA’s weighted average of median family income as \$64,575.

The Denver AA consists of Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson counties. The bank does not include the counties of Clear Creek, Elbert, Pitkin, and Park counties in its AA, which make up the rest of the Denver-Aurora-Lakewood MSA. The AA is comprised of the whole counties, meets regulatory requirements, and does not arbitrarily exclude low- or moderate-income areas. This AA is primarily comprised of the City of Denver and the surrounding suburbs. The AA has 605 CTs including 69 low-, 137 moderate-, 197 middle-, and 195 upper-income CTs. The 2010 US Census lists the AAs weighted average of median family income as \$79,987.

Competition for loans and deposits is significant in each AA. For the Grand Junction AA, there are a total of 14 institutions with 41 branches. Competitors include Wells Fargo, Alpine Bank, Us Bank, ANB Bank, and Grand Valley Bank. CNB has total market share of 1.54 percent of deposits. In the Denver AA, there are a total of 70 institutions with 649 branches. The bank has a market share of 0.02 percent of total deposits. Competitors include Wells Fargo, US Bank, FirstBank, JP Morgan Chase Bank, and KeyBank.



There are no legal factors that impede the bank's ability to help meet the credit needs of the AA.

## Scope of the Evaluation

CNB's CRA performance was evaluated under the Small Bank criteria because its asset size remained below the \$307 million threshold as of December 31, 2016. The small bank CRA procedures evaluate the bank's CRA activities based on the lending test. The lending test evaluates the bank's lending activities based on five performance criteria including LTD ratio, percentage of lending-related activity in the AAs, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution of loans, and responses to CRA-related complaints.

## Evaluation Period/Products Evaluated

Commercial lending is the bank's primary loan product. While the bank does originate some residential mortgage and consumer lending products, these types of lending are not considered primary loan products. The examination focused on a sample review of 21 commercial loans at the Grand Junction AA and 24 commercial loans in the Denver AA that were originated between January 1, 2012 and December 31, 2016.

<b>Table 1</b>		
<b>Colorado National Bank</b>		
<b>Loan Portfolio Composition</b>		
<b>As of 12/31/2016</b>		
Loan Type	Dollar (000)*	Percentage
Residential Mortgage and Construction Loans	1,439	4.0
Business/Commercial/ Construction Loans	34,357	95.0
Consumer Loans	96	0.3
Lease Financing Receivables	276	0.7
<b>TOTAL</b>	<b>36,168</b>	<b>100.0</b>

Source: Call Report as of 12/31/2016

## Data Integrity

We determined the accuracy of the commercial lending data used for the evaluation through obtaining that information from source documents during this CRA examination.

## Selection of Areas for Full-Scope Review

The scope of this examination included a full-scope review of the bank's Grand Junction AA and the Denver AA. These are the bank's only two AAs.

## **Ratings**

Performance in the Grand Junction AA received greater weight as 76 percent of the bank's deposits are contained in this AA. The Denver AA accounts for 24 percent of total deposits.

## **Other**

We used the information received on two community contacts at this examination. We used one community contact for each AA. Both organizations provide assistance in obtaining affordable housing for low- and moderate-income individuals. For the Denver AA, the community contact noted that the Denver economy continues to improve. It was also noted that often times, one barrier to receiving loans is the language barrier, especially as it relates to the Hispanic population. For the Grand Junction AA, the community contact noted that the economy is lagging behind the majority of the state. Because of the local economy, residents have multiple jobs or are self-employed. The contact stated that it would be helpful if banks could initiate programs to help these individuals find affordable housing and purchase transportation.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c) and 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB).

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

CNB's lending performance is rated "Satisfactory". In reaching this conclusion, we considered the level of competition and the bank's volume of out-of-area SBA lending. Lending performance in the Grand Junction AA was given greater weight as a substantial majority of deposits were contained in that AA. For the lending test rating, greater weight was also given to the LTD and lending in the assessment area ratios since the bank generated such a small volume of lending during the evaluation period.

### LENDING TEST

CNB's performance under the lending test is "Satisfactory". The bank's LTD ratio is reasonable. The bank originates a majority of loans inside the assessment area. The bank has reasonable penetration among borrowers of different incomes and reasonable geographic dispersion throughout the AAs given the bank's small size and limited lending activity during the review period.

### Loan-to-Deposit Ratio

CNB's LTD ratio is reasonable given the institution's size, financial condition, and credit needs of the AAs the bank serves. The bank's average quarterly LTD ratio for all quarters since the prior CRA examination is 63.7 percent. The quarterly average of similarly situated banks based on the sample is 57.1 percent, with individual bank averages ranging from 24.7 percent to 93.7 percent. Similarly situated banks are defined as banks of comparable asset size with similar business lines and operating in the same geographies. Over this same period, the bank's quarterly low LTD ratio was 28.1 percent and the bank's quarterly high LTD ratio was 86.1 percent. The LTD ratio is calculated on a bank-wide basis and not in the individual AAs.

### Lending in Assessment Area

CNB originates a majority of its loans inside the assessment area. By number, 65 percent of loans were originated within the bank's combined AA. While a substantial majority of the dollar volume of the loans were outside of the AA, greater weight was given to the number of loans. CNB's current primary lending product is commercial loans. Most of the Denver AA loan originations (18 out of 24) have been Small Business Administration (SBA) loans that originated outside of the AAs. The average size for these government guaranteed loans was \$1.8 million, while the average size of originations in the Grand Junction AA was significantly smaller. By dollar volume, the percentage of loans originated in the AA is only 13.8 percent due to the number of SBA loans originated in the Denver AA.

<b>Table 2 - Lending in Grand Junction AA; Denver AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	26	65.0%	14	35.0%	40	\$3,248	13.8%	\$20,236	86.2%	\$23,484

Source: Loan Sample

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

### Small Business Lending

The distribution of loans to small businesses within the Grand Junction AA is at a reasonable level. Penetration of lending to small businesses is below the demographic comparator by both number and dollar amount, but the number of loans is at a reasonable level. The number of loans comparator is given greater weight in this analysis as small businesses are more likely to obtain smaller dollar loans than larger borrowers. Small businesses are defined as businesses with less than \$1 million in gross annual revenues.

<b>Table 3 - Borrower Distribution of Loans to Businesses in Grand Junction AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	86.2%	4.5%	9.3%	100.0%
% of Bank Loans in AA by #	70.0%	30.0%	0.0%	100.0%
% of Bank Loans in AA by \$	28.0%	72.0%	0.0%	100.0%

Source: 2010 U.S. Census data; Loan Sample

The borrower distribution of loans to small businesses within the Denver AA is at a poor level. Penetration of lending to businesses with revenues of \$1 million or less is significantly below the demographic comparator by both dollar amount and number. We note that the bank's overall lending volume in this AA was low during our review period; therefore, the low penetration was given minimal consideration.

<b>Table 4 - Borrower Distribution of Loans to Businesses in Denver AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	87.7%	4.7%	7.6%	100.0%
% of Bank Loans in AA by #	50.0%	50.0%	0.0%	100.0%
% of Bank Loans in AA by \$	33.0%	67.0%	0.0%	100.0%

Source: 2010 U.S. Census data; Loan Sample

## Geographic Distribution of Loans

### *Small Business Lending*

The geographic distribution of commercial lending within the bank’s Grand Junction AA demonstrates excellent dispersion throughout the AA. There are no low-income census tracts (CTs) in the Grand Junction AA. The bank’s lending to moderate-income CTs is excellent.

Table 5 - Geographic Distribution of Loans to Businesses in Grand Junction AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.0%	0.0%	12.1%	45.0%	61.3%	50.0%	26.6%	5.0%

*Source: 2010 U.S. Census data; Loan Sample*

The geographic distribution of commercial lending within the bank’s Denver AA demonstrates excellent dispersion throughout the AA. The bank’s lending to low- and moderate-income CTs is excellent. However, given the low volume of lending, this was given minimal consideration.

Table 6 - Geographic Distribution of Loans to Businesses in Denver AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	8.6%	16.7%	20.4%	33.3%	30.1%	0.00%	40.6%	50.00%

*Source: 2010 U.S. Census data; Loan Sample*

## Responses to Complaints

Colorado National Bank did not receive any CRA related complaints during the evaluation period.