



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 5, 2002**

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

**The Citizens National Bank of Akron  
Charter Number 10901**

**101 Main Street  
Akron, CO 80720**

**Comptroller of the Currency  
Denver Field Office  
1099 18th Street Suite 2650  
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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The bank is committed to serving the communities in which it operates and demonstrates satisfactory lending performance. The bank is meeting the credit needs of its community, including extending loans to small farms, which is its primary lending focus. Specifically:

- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The loan-to-deposit ratio is satisfactory given area competition and credit needs of the community.
- The pattern of lending to small farms in the bank's assessment area is satisfactory and consistent with area income demographics.
- The geographic distribution of farm loans exceeds demographics in the moderate-income area and shows good performance.

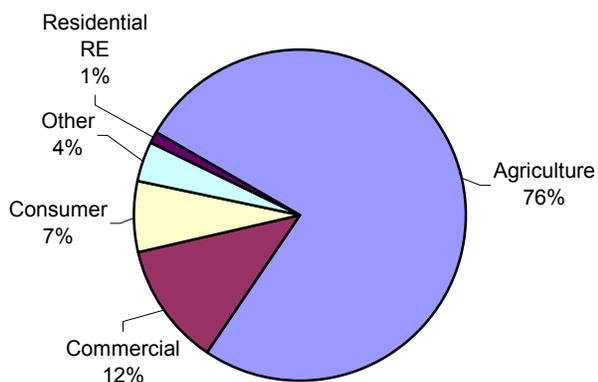
## DESCRIPTION OF INSTITUTION

The Citizens National Bank of Akron (CNB) is a \$43 million community bank in northeastern Colorado. The bank's location is in the town of Akron. Akron is the county seat of Washington County. The bank has a full-service ATM at the bank site and does not have any branches.

CNB is owned by First Pioneer Bank Corporation, a multi-bank holding company headquartered in Brush, Colorado. As of March 31, 2002, the holding company had consolidated assets of \$172 million. Other financial institutions owned by the holding company are The Farmers State Bank of Brush, Colorado and First Pioneer National Bank of Wray, Colorado. The holding company is also related by common ownership to two other organizations, Equitable Savings and Loan and Farmers Realty Company. There are no changes in the bank's corporate structure.

The bank offers a variety of loan and deposit products and services to its community. According to the March 31, 2002 Bank Report of Condition and Income, the bank's primary business focus is agricultural lending. This includes loans for crop production and farmland. While this is their primary lending focus, the bank also extends commercial real estate and industrial loans and consumer loans. The chart below outlines the composition of the bank's loan portfolio based on dollar volume.

**Loan Portfolio Composition**



As noted in the chart, agricultural related loans constitute a majority of total loans, followed by commercial related loans, consumer loans, other loans, and residential real estate loans.

As of March 31, 2002, the bank reported net loans of \$23 million, representing 52 percent of total assets.

This Performance Evaluation is an assessment of the bank's CRA performance from March 24, 1998, through August 8, 2002. The bank received a satisfactory rating at the previous CRA examination dated March 23, 1998. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

## DESCRIPTION OF WASHINGTON COUNTY

CNB’s designated assessment area (AA) is Washington County. The county population is 5,025, according to the 2000 U.S. Census. The population of Washington County has increased 8 percent since the 1990 U.S. Census. Major towns in the county are Akron, Otis, Cope, and Linden. Akron, the largest town in the county, has a 2000 population of 1,711. The county is not located in a metropolitan statistical area (MSA). The AA is comprised of four block numbering areas (BNAs). One of the BNAs is designated moderate income and three are middle income. CNB is located in the moderate-income BNA. Based on 2001 updated U.S. Census income data, the non-MSA median family income is \$43,700. The following table demonstrates the income distribution of families in Washington County.

<b>DISTRIBUTION OF FAMILIES By Income Designation</b>		
<b>Income Designation (% of HUD 2001 Updated Median-Family Income)</b>	<b># of Families</b>	<b>% of Total</b>
Low Income (less than 50%)	339	24%
Moderate Income (between 50% and 80%)	297	21%
Middle Income (between 80% and 120%)	340	24%
Upper Income (greater than 120%)	453	31%
Total Families	1,429	100%

The AA meets the requirements of the regulation. The bank, given its size, location, and product focus, can reasonably serve the AA. The AA does not arbitrarily exclude any low- or moderate-income areas.

Washington County is located in the Northeastern portion of Colorado, 115 miles northeast of Denver. It is in the heart of the state’s leading agricultural production region. The 1997 Census of Agriculture reported the average size of farms and ranches was 1,760 acres. Ninety-three percent of available cropland is non-irrigated farmland acreage. In 2001, Washington County ranked first in winter wheat production and sixth in sunflower and hay production in the state. For the past several years, the northeastern plains of Colorado have experienced below average rainfall, and overall production has suffered. Pasture and range feed conditions are declining while crop production conditions are poor to fair, as reported by the Colorado Department of Agriculture.

The 2001 county unemployment rate is three and one-half percent according to the Bureau of Labor Statistics. Employment growth has declined nine percent since 1998. The economy of the AA is highly dependant on agriculture and agriculture-related industries. Economic diversity is

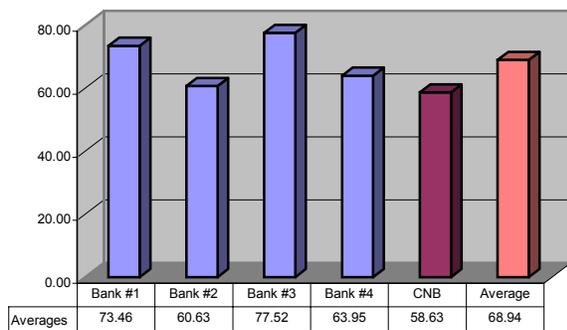
limited to service industries tied to this agriculture base. With depressed commodity prices and lowered production yields resulting from the drought, the county economy is negatively impacted. Major employers in the area include the county government, Hall Grain, the Akron and Otis School Districts, USDA Research Station, and the Y-W Electric Association. Competition from other AA financial institutions is strong. Of the four institutions in the area, one is a large bank with 23 branches and assets in excess of \$700 million. All the banks are located within a 25-mile radius, serve the same communities, and offer similar loan products.

We reviewed a recent community contact with a neighboring county planning division. According to the contact, housing needs are a priority, but other credit needs appear to be met. At this examination, we contacted a private individual with knowledge regarding community activities and economic conditions. He stated that the depressed economy is a significant concern to area residents but that the financial institutions in the area reach out to meet the needs of the borrower. He is unaware of any unmet credit needs in the communities.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

CNB does a satisfactory job of meeting the credit needs of its assessment area, including lending to farms of different sizes.

### Loan-to-Deposit Ratio



**Loan to Deposit Ratios**

The bank's loan-to-deposit ratio is reasonable given its size, financial condition and competitive operating environment. As of March 31, 2002, the 16-quarter average ratio of 59% is on the low-end when compared with similarly situated banks in the AA. Four other area banks had average ratios over the same time period ranging from 60 to 77 percent. The chart compares CNB's performance with similarly situated area banks. Similarly situated banks are those banks of comparable asset size or product mix operating within the bank's AA. CNB's total

deposits have remained relatively stable while the level of lending has increased since the last evaluation, when the average loan-to-deposit ratio was 50 percent.

### Lending in Assessment Area

CNB's level of lending is satisfactory given competition from area institutions and current economic conditions. A majority of loans by number and dollar volume are originated within the bank's designated AA. The focus of our sample for analysis was drawn from the bank's

primary business focus. We chose a sample of 25 agricultural loans to determine the level of lending in the AA. Of the loans sampled, 72 percent by number and 77 percent by dollar volume were originated inside the AA.

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

CNB’s overall lending pattern reflects good penetration among farms of different sizes. Loan originations demonstrate the bank’s focus on loans to small farms. By definition, small farms are those with annual revenues of less than \$1 million. The bank is active in helping to meet the credit needs of small farms within the community. Our sample consisted of 25 loans originated for the purpose of financing agricultural activities. As shown in the table, 100 percent of the loans by number were made to small farms. Further, 84 percent by number and 83 percent by dollar amount were made to farms with annual revenues of less than \$250,000.

<b>DISTRIBUTION OF AGRICULTURAL LOANS By Annual Revenue</b>		
<b>Annual Revenue</b>	<b>Percent of Loans by Number</b>	<b>Percent of Loans by Dollar</b>
Revenues Less than \$250M	84%	83%
Revenues \$250M-\$1,000M	16%	17%
Revenues More than \$1,000 M	0%	0%
Total Agricultural Loans	100%	100%

This distribution exceeds the demographics of the AA. The 1990 US Census data indicates 96 percent of the farms in the AA have annual revenues of less than \$1 million.

CNB provides an additional form of agricultural financing through the “Beginning Farmer Program.” This program provides loans, based on farm size and value, to individuals who have not had any ownership in farmland previously. This program provides a bank-originated loan to a new borrower at a lower interest rate, and the bank receives tax-exempt interest on a bond provided to the bank through Colorado Agricultural Development Authority (CADA). CADA's mission is to encourage investment in the agricultural sector for the purpose of making low-interest loans available to agricultural producers. Since our previous CRA examination, the bank has made four CADA loans totaling \$462,000 to beginning farmers.

**Geographic Distribution of Loans**

An analysis of the geographic distribution of loans within the bank’s assessment area reflects that a majority of farm lending is within the moderate-income area of the AA. The bank’s AA of Washington County contains one moderate-income BNA and three middle-income BNAs. Thirty-two percent of the farms are in the moderate-income tract and sixty-eight percent are located in the middle-income tracts. The bank’s penetration in the moderate-income BNA is above demographics in both number of loans and dollar volume of loans. The following table illustrates the geographic distribution of the bank’s agriculture lending by income tract level.

<b>GEOGRAPHIC DISTRIBUTION OF FARM LOANS</b>			
<b>Tract Income Level</b>	<b>Percent of Farms in Tracts</b>	<b>Percent of Loans by Number</b>	<b>Percent of Loans by Dollar Volume</b>
Moderate	32%	60%	60%
Middle	68%	40%	40%
Total	100%	100%	100%

### **Responses to Complaints**

No complaints have been received regarding the bank's CRA or Fair Lending performance since the last CRA Performance Evaluation dated March 23, 1998.

### **Fair Lending Review**

An analysis of 1998-2002 small farm lending data, public comments, and consumer complaint information, was performed according to the OCC's risk-based fair lending approach. Based on its analysis of information, the OCC decided that the comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed March 23, 1998.