



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 3, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples National Bank
Charter Number 21717

1899 Woodmoor Drive
Monument, Colorado 80132

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 Peoples National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 3, 1996. 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."

Peoples National Bank (PNB) is committed to serving the community in which it operates and has demonstrated satisfactory lending performance. Its loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Overall, the lending activities reflect a satisfactory penetration among individuals of different income levels and businesses of different sizes. The bank's lending activities also exhibit a reasonable dispersion throughout the assessment area.

The following table indicates the performance level of PNB with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Peoples National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

PNB is a commercial bank with total assets of \$51 million. PNB is a subsidiary of El Paso Bancshares, Inc., which reported total assets of \$127 million on December 31, 1995. In addition to PNB, El Paso Bancshares, Inc. also owns Peoples Bank of Taos, Mid-Continent Corporation, and El Paso Insurance, Inc.

The bank operates its main office in Monument, Colorado. Since the last examination, the bank opened a branch in both Monument and Gleneagle. Gleneagle is officially a portion of the city of Colorado Springs, Colorado. The bank also has a wholly owned subsidiary, Peoples Mortgage Corporation (PMC), based in Colorado Springs. It has no constraints in its ability to meet various credit needs within its assessment area. Lending activities have increased substantially over the past year. As of June 30, 1996, the composition of the loan portfolio is as follows:

Residential real estate loans	80%	
Commercial real estate loans		4%
Commercial loans	12%	
Consumer loans	3%	
All other loans	1%	
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Total	100%	

The main office and branches offer full banking services. The bank owns one proprietary automated teller machine (ATM). This is a 24-hour ATM that allows customers to transfer funds, deposit money, inquire about balances, as well as withdraw money.

PMC's primary activities are to originate, process, and purchase residential mortgage loans for sale in the secondary mortgage markets. PMC also services a substantial amount of the loans it sells. In 1995, PMC originated \$146 million in loans while its servicing portfolio totaled \$159 million at year-end 1995.

The bank received a "Satisfactory Record of Meeting Community Credit Needs" in the prior CRA Performance Evaluation dated August 5, 1991.

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area encompasses five census tracts in the Colorado Springs Metropolitan Statistical Area (MSA). The five census tracts are located in El Paso County and include the cities of Monument, Palmer Lake, and Gleneagle. In addition, one of the census tracts consists entirely of the United States Air Force Academy. The assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The chart below reflects the composition of the assessment area by census tract type:

ASSESSMENT AREA COMPOSITION

Census Tract Type	# of Tracts in Assessment Area	% of Tracts in Assessment Area
Low Income	0	0%
Moderate Income	0	0%
Middle Income	2	40%
Upper Income	3	60%
Total	5	100%

There are 40,399 residents in the assessment area. Based on 1990 United States Census the population by income level consists of the following:

PERCENTAGE OF FAMILIES IN THE ASSESSMENT AREA BY INCOME CATEGORY

Income Level	% of Assessment Area
Low	6%
Moderate	12%
Middle	20%
Upper	62%
Total	100%

The 1990 United States Census median-family income is \$33,932. The median housing value (based on 1990 data) for the MSA is \$93,400. The median housing value for each census tract varies and ranges from \$92,400 to \$152,700. Median housing value, however, has increased significantly since 1990. A market profile report dated March 6, 1996, indicates the median home value for the area is \$160,893. Bank management states that the average sales price ranges from \$140,000 to \$500,000. A real estate broker in Monument attests to these figures. Affordable housing is limited. In addition, those homes which are affordable for low- and moderate-income families are in need of repair. There is a need for multi-family housing.

The services, government, retail trade, manufacturing, construction, finance, insurance, and real estate industries make up the majority of the employment in the area.

We contacted various organizations in Monument and Colorado Springs. The contacts identified the following credit needs: affordable housing loans, more flexible standards for lending to small businesses, educational workshops for small businesses, and redevelopment and rehabilitation loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratios

The bank's loan-to-deposit ratio is satisfactory. The average loan-to-deposit ratio for eight quarters beginning March 31, 1994, and ending March 31, 1996, is 46%. This is comparable to five other similarly situated banks. The banks were selected based on asset size, location, and similar business focus. For the same time period, the eight-quarter average loan-to-deposit ratios for similar banks are 35.1%, 41%, 45.7%, 57%, and 66.5%.

Since PMC is a wholly-owned subsidiary of the bank, the bank's loan-to-deposit ratio incorporates PMC's lending activities. Management estimates that of the \$146 million in loans originated by PMC in 1995, 80% are sold to the secondary market.

Lending in the Assessment Area

On a consolidated basis, a significant number of loans on the bank's books are originated by PMC. However, given the uniqueness of its operations, only a modest percentage of PMC's originations fall within the defined area. This also results in less than a majority of the bank's total loans residing in the assessment area. To consider the uniqueness of the bank's lending practices, we reviewed lending in the assessment area by each office.

The commercial banking office (CBO) in Monument, Colorado makes a substantial majority of its loans within its assessment area. We prepared the following tables based on bank-provided data and random sampling of loan approvals. We have separated the tables by originations from CBO and PMC.

LENDING INSIDE AND OUTSIDE OF ASSESSMENT AREA

CBO (based on sample of loan portfolio as of 8/15/96)	Loans (#)	% Loans (#)	Loans \$(000s)	% Loans (\$)
In Area	455	79%	\$11,386	42%
Out of Area	124	21%	\$15,688	58%
Total	579	100%	\$27,074	100%

PMC (based on sample of approvals between 1/95 and 10/95)	Loans (#)	% Loans (#)	Loans \$(000s)	% Loans (\$)
In Area	1	5%	\$ 58	4%
Out of Area	19	95%	\$1,586	96%
Total	20	100%	\$1,644	100%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The lending activities reflect a satisfactory penetration among individuals of different income levels. Based on random samples of 143 bank loans and 220 mortgage loans at PMC, we found the following income level distribution:

CONSUMER LENDING IN ASSESSMENT AREA BY BORROWER INCOME

CBO INCOME LEVEL (based on sample of originations between 1/96 and 7/96)	% of Assessment Area by Income	Consumer Loans (#)	% of Consumer Loans (#)	Consumer Loans \$(000s)	% of Consumer Loans (\$)
Low	6%	18	13%	\$ 337	5%
Moderate	12%	15	10%	\$ 289	5%
Middle	20%	24	17%	\$ 901	15%
Upper	62%	86	60%	\$4,566	75%
Total	100%	143	100%	\$6,093	100%

PMC INCOME LEVEL (based on sample of approvals between 7/95 and 11/95)	% of Assessment Area by Income	Consumer Loans (#)	% of Consumer Loans (#)	Consumer Loans \$(000s)	% of Consumer Loans (\$)
Low	6%	12	5%	\$ 657	3%
Moderate	12%	49	23%	\$ 3,337	15%
Middle	20%	75	34%	\$ 6,884	30%
Upper	62%	84	38%	\$11,868	52%
Total	100%	220	100%	\$22,746	100%

The CBO has demonstrated an excellent lending penetration to small businesses. Of the 84 loans we sampled, only one credit was extended to a business whose annual gross revenues exceeded \$1 million. Further, 81% of the business loans were in amounts less than \$100,000.

LENDING IN ASSESSMENT AREA BY BUSINESS REVENUES

CBO (based on sample of originations between 1/95 and 8/16)	Loans (#)	% of Sampled Business Loans (#)	Loans \$(000s)	% of Sampled Business Loans (\$)
Loans to Small Businesses ≤ \$1 million (gross annual revenues)	83	99%	\$6,922	92%
Loans to Businesses > \$1 million	1	1%	\$574	8%
Total Business Loans Sampled	84	100%	\$7,496	100%

LOANS TO SMALL BUSINESSES BY SIZE OF LOAN

CBO (based on sample of originations between 1/95 and 8/16)	Number	% of Total
< \$100M	68	81%
\$100M - \$249M	11	13%
\$250M - \$499M	2	2%
\$500M - \$1,000M	3	4%
Total	84	100%

Geographic Distribution of Loans

The bank's lending activities exhibit a reasonable dispersion throughout the assessment area. The assessment area does not have low- or moderate-income census tracts. Nevertheless, we analyzed the bank's loan portfolio via bank-provided reports as of August 15, 1996, and sampled PMC's 1995 mortgage loans. We found the lending activity in different income level census tracts is comparable to demographic information.

LENDING IN THE ASSESSMENT AREA BY CENSUS TRACT TYPE

Census Tract Type (CBO & PMC combined)	% of Assessment Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts \$(000s)	% of Loans (\$)
Low	0%	0	0%	\$ 0	0%
Moderate	0%	0	0%	\$ 0	0%
Middle	40%	175	30%	\$ 5,815	21%
Upper	60%	399	70%	\$22,307	79%
Total	100%	574	100%	\$28,122	100%

Response to Substantiated Complaints

The bank has not received any written complaints regarding its CRA performance since the prior examination.

Other Information

No violations of the substantive provisions of antidiscrimination laws and regulations were identified during this examination.