



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**July 01, 2007**

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

**First National Bank of the Rockies  
Charter Number 7435**

**2452 Highway 6 And 50  
Grand Junction, CO 81505**

**Comptroller of the Currency  
Northern Colorado  
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 “Outstanding”.**

**The Lending Test is rated: “Satisfactory”.**

**The Community Development Test is rated: “Outstanding”.**

The following are the major factors supporting the First National Bank of the Rockies' rating:

- The bank's loan-to-deposit ratio is the highest in amount of five similarly situated banks and is reasonable.
- Lending in the bank's assessment areas (AAs) is excellent; a significant majority of the home mortgage and small business loans were originated in the bank's AAs.
- The bank's lending to borrowers of different incomes and businesses of different sizes is good in the bank's Grand Junction MSA AA and excellent in the Moffat, Rio Blanco, and Routt Counties Non-MSA AA.
- The bank's distribution of loans in moderate-income geographies is good in both the Grand Junction MSA AA and the Moffat, Rio Blanco, and Routt Counties Non-MSA AA.
- Overall, the bank provided a very high level of community development loans, investments, and services in its AAs.

## **SCOPE OF EXAMINATION**

We performed full-scope reviews of both of the bank's AAs. These include the Grand Junction MSA and the Moffat, Rio Blanco, and Routt Counties Non-MSA. The scope of the examination included a review of the Home Mortgage Disclosure Act (HMDA) reportable data and a sample of 42 commercial loans originated from January 1, 2004, through December 31, 2006. We also reviewed community development loans, investments, and services which First National Bank of the Rockies provided from June 13, 2002 to July 1, 2007.

## DESCRIPTION OF INSTITUTION

First National Bank of the Rockies (FNBR) is a full-service financial institution headquartered in Grand Junction, Colorado. As of March 31, 2007, FNBR had total assets of \$383 million and Tier One Capital of \$34 million.

FNBR is a subsidiary of FNBR Holding Corporation located in Grand Junction, Colorado. FNBR's assets represent all of the holding company assets.

FNBR operates as an intrastate bank in Colorado with four offices in Grand Junction and one in each of the following locations: Craig, Meeker, Hayden, Oak Creek, Rangely, and Steamboat Springs. Each branch operates a drive-up facility. The bank also owns and operates one cash-dispensing automated teller machine (ATM) at each location. In addition, the bank operates a cash dispensing ATM in a supermarket in Craig. During the review period, the bank did not close any branches. Since the last CRA examination, the bank has opened four branches. Three were in Grand Junction and one was in Steamboat Springs.

The bank's assessment areas are as follows:

- Grand Junction (Mesa County) MSA; and
- Moffat, Rio Blanco, and Routt Counties Non-MSA.

FNBR offers a full range of credit products within its AAs including commercial, real estate, consumer, and agricultural loan products. However, the bank's primary business focus is commercial lending. By dollar amount, FNBR's loan portfolio consists of the following types of credit: 29 percent construction and development, 16 percent commercial and industrial, 15 percent one-to-four family, 31 percent other, including multifamily and non-farm/non-residential real estate secured loans, 4 percent consumer loans, 4 percent agricultural loans, and 1 percent all others.

There are no known legal, financial, or other impediments that would hamper FNBR's ability to help meet the credit and community development needs of its AAs. At the previous CRA examination, the bank received a rating of "Satisfactory" under the small bank CRA examination procedures performed as of June 12, 2002.

## DESCRIPTION OF ASSESSMENT AREAS

The bank has designated the Grand Junction MSA and the Moffat, Rio Blanco, and Routt Counties Non-MSA as its assessment areas. The AAs meet the requirements of the regulation. They are comprised of whole political subdivisions and do not arbitrarily exclude any low- or moderate-income areas. A description of the assessment areas follows:

### Grand Junction MSA

Demographic Information for Full Scope Area: Grand Junction MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	28	0.00	17.86	57.14	25.00	0.00
Population by Geography	116,255	0.00	17.70	60.49	21.81	0.00
Owner-Occupied Housing by Geography	33,306	0.00	14.19	60.18	25.63	0.00
Business by Geography	12,162	0.00	26.80	51.44	21.76	0.00
Farms by Geography	423	0.00	9.93	65.48	24.59	0.00
Family Distribution by Income Level	31,729	17.40	19.63	23.69	39.28	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,749	0.00	24.23	63.83	11.94	0.00
Median Family Income for 2000 HUD Adjusted Median Family Income for 2006 Households Below Poverty Level		43,015 50,100 10%	Median Housing Value (as of 12/31/06) Unemployment Rate (5/31/07)		\$195,122 2.7%	

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2006 HUD updated MFI.

FNBR operates four branches in the Grand Junction MSA. One of the branches was recently opened in November 2006.

The MSA consists of all 28 census tracts (CTs) in Mesa County. There are no low-income census tracts in the county; 18 percent are moderate-income; 57 percent are middle-income; and 25 percent are upper-income. Grand Junction, the county seat is the largest city in the MSA, followed by Fruita and Palisade. Other towns and unincorporated subdivisions include Clifton, Fruitvale, DeBeque, Collbran, Mesa, Mack, Loma, Gateway, Glade Park, and Whitewater.

Due to the area's mild climate and vast diversity, the county has become a popular place for relocation and recreation. From 1990 to 2000, Mesa County's population grew by 25 percent, placing the county in the top 10 percent of counties, nationwide, in terms of population change. The population continues to grow at a rapid pace. The Colorado Department of Local Affairs projects that Mesa County's population will grow another 23 percent by 2010. Growth and land issues are a significant concern for the county. The rapid growth has contributed to the rapidly escalating price of homes. Due to the

recent expansion in the oil and gas industries in Mesa County and surrounding areas, much of the home building has focused on more expensive homes-\$300,000 and above. From 2000 to 2006, the median price of a single family home increased 63 percent to \$195,122, while the median family income increased 16 percent.

The major employers in Mesa County are the Mesa County School District, St. Mary's Hospital, and Mesa State College. The area has a relatively low unemployment rate. The unemployment rate as of May 2007 was 2.7 percent.

There are several competing financial institutions in this assessment area. They include Vectra Bank Colorado, N.A.; Alpine Bank; American National Bank; Bank of the West; Grand Valley National Bank; Palisades National Bank; Westar Bank and Mortgage; and Wells Fargo, N.A.

Community contacts indicate the greatest need is for loans to support affordable housing and loans to small businesses, particularly very small businesses.

Moffat, Rio Blanco, Routt Counties Non-MSA

Demographic Information for Full Scope Area: Moffat-Rio Blanco-Routt Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	15	0.00	6.67	53.33	40.00	0.00
Population by Geography	38,860	0.00	2.18	57.88	39.94	0.00
Owner-Occupied Housing by Geography	10,721	0.00	2.70	56.78	40.53	0.00
Business by Geography	6,187	0.00	1.49	48.54	49.98	0.00
Farms by Geography	263	0.00	3.42	57.03	39.54	0.00
Family Distribution by Income Level	10,153	13.06	15.43	23.83	47.68	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,893	0.00	4.01	72.87	23.12	0.00
Median Family Income for 2000 HUD Adjusted Median Family Income for 2006 Households Below Poverty Level		44,319 51,500 7%	Median Housing Value (12/31/06) Moffat County Rio Blanco County Routt County Unemployment Rate (5/31/07) Moffat County Rio Blanco County Routt County		\$145,891 \$132,083 \$374,491 2.8% 1.9% 3.6	

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2006 HUD updated MFI.

FNBR operates six branches in its Moffat, Rio Blanco, and Routt Counties Non-MSA AA. The branches are located in the towns of Craig, Hayden, Meeker, Oak Creek, Rangely, and Steamboat Springs.

The AA consists of 15 census tracts. There are no low-income census tracts and only one moderate-income census tract in this AA.

Moffat, Rio Blanco, and Routt Counties are contiguous. However, the economy of Moffat and Rio Blanco Counties is substantially different than that of Routt County. Moffat County is located in the northwestern corner of Colorado, along the Wyoming and Utah borders. It consists of the towns of Craig and Dinosaur. Rio Blanco County is located immediately south of Moffat County. It consists of the towns of Meeker and Rangely. Over half of the land in the combined counties is public land used for various recreational activities, including hunting, fishing, and cross-country skiing. Mining is the largest industry employing nearly 20 percent of the population, followed by retail trade and city and county governments. As of May 2007, the unemployment rate in Moffat County was 2.8 percent; in Rio Blanco County it was 1.9 percent.

Routt County is immediately east of Moffat County. Steamboat Springs is the county seat and drives the economy within the county. Other towns are Hayden, Oak Creek, and Yampa. The economy is largely dependent on tourism, driven by the ski industry and recreational activity. The largest area employer is Steamboat Ski and Resort Corporation, followed by the school district and city and county governments. Areas outside of Steamboat Springs are largely rural. Major industries include agriculture and mining. These towns also serve as bedroom communities to individuals employed in Steamboat Springs who are unable to find affordable housing within the city limits. As of May 2007, the unemployment rate in Routt County was 3.6 percent.

Although the median cost of housing is significantly different in all three counties, the increase in the median cost of housing since the 2000 census data was taken is almost 40 percent for all three counties. In contrast, median family income in this AA increased only 16 percent. As of 2006, the median cost of housing in Moffat County was \$145,891; in Rio Blanco it was \$132,083, and in Routt County it was \$374,491.

Competing financial institutions in the AA include Alpine Bank; Bank of Colorado; Bank of the West; First National Bank of Steamboat Springs, Mountain Valley Bank; Vectra Bank Colorado, N.A.; Millennium Bank; and Wells Fargo Bank, N.A.

There are limited community development organizations in this AA. We were able to obtain a recent community contact which indicated there is a need for loans to small businesses as well as community development lending to organizations that in turn provide loans to very small businesses not yet qualified for traditional bank financing. There is also a need for loans that support affordable housing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Overall, the bank's performance under the Lending Test is rated "Satisfactory". This is based on the FNBR's good lending performance in both the Grand Junction MSA and the Moffat, Rio Blanco, and Routt Counties Non-MSA.

### Loan-to-Deposit Ratio

FNBR's loan-to-deposit ratio is reasonable. As of March 31, 2007, the bank's 20 quarter average loan-to-deposit ratio, calculated since the last CRA examination, was 79 percent. This compares very favorably to similar situated banks in FNBR's AAs. The loan-to-deposit ratios for the same time period for four similarly situated banks range between 50 percent and 69 percent. Similarly situated banks are those banks of comparable asset size and operating in the same geographies.

### Lending in Assessment Area

The portion of lending both by number and dollar volume of loans is excellent. Based on number, 87 percent FNBR's home mortgage loans and 88 percent its commercial loans were originated inside the bank's AAs. The percentages based on dollar volume were 85 percent and 99 percent, respectively.

**Table 1 - Lending in the Grand Junction MSA and Moffat, Rio Blanco, and Routt Counties Non-MSA**

Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	503	87%	75	13%	578	\$57,061	85%	\$9,925	15%	\$66,986
Commercial	35	88%	5	12%	40	\$4,298	99%	\$ 50	1%	\$4,348
Totals	538	87%	80	13%	618	\$61,359	86%	\$9,975	14%	\$71,334

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

#### Grand Junction MSA

The overall borrower distribution of home mortgage loans to low- and moderate-income borrowers in the Grand Junction MSA is adequate. The level of home purchase lending to both low- and moderate-income borrowers is somewhat lower than the demographic comparator; but it is adequate considering that 10 percent of the low-income population is below the poverty level and would not be able to qualify for any type of home mortgage loan. The level of home refinance lending is adequate for low-income borrowers and excellent for moderate-income borrowers. The bank did not originate any home improvement loans to either low- or moderate-income borrowers. However, home improvement lending is not a significant loan product for the bank. During the

three-year review period, the bank originated only nine home improvement loans in the AA.

Table 2 – Borrower Distribution of Residential Real Estate Loans in the Grand Junction 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
Home Purchase	17.40%	2.86%	19.63%	5.71%	23.69%	25.71%	39.28%	54.29%
Home Improvement	17.40%	0.00%	19.63%	0.00%	23.69%	22.22%	39.28%	77.78%
Home Refinance	17.40%	7.89%	19.63%	21.05%	23.69%	13.16%	39.28%	50.00%

Source: Data reported under HMDA; U.S. Census data

Moffat, Rio Blanco, and Routt Counties Non-MSA

The overall distribution of home mortgage loans to low- and moderate-income borrowers is excellent in the Moffat, Rio Blanco, and Routt Counties Non-MSA. Lending to low-income borrowers is good for home purchase and home refinance loan products. As noted below, the portion of home purchase and home refinance loans is below the demographic comparator; but it is good, particularly considering that 7 percent of the low-income households is below the poverty level and would not qualify for a home mortgage loan. The portion of home improvement loans to low-income borrowers significantly exceeds the demographic comparator and is excellent. Home mortgage lending to moderate-income borrowers is excellent. The portion of all types of home mortgage loan products significantly exceeds the demographic comparator.

Table 2 – Borrower Distribution of Residential Real Estate Loans in the Moffat, Rio Blanco, and Routt Counties Non-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
Home Purchase	13.06%	7.98%	15.43%	23.93%	23.83%	28.22%	47.68%	38.65%
Home Improvement	13.06%	24.00%	15.43%	20.00%	23.83%	16.00%	47.68%	38.00%
Home Refinance	13.06%	9.83%	15.43%	18.50%	23.83%	28.90%	47.68%	40.46%

Source: Data reported under HMDA; U.S. Census data

Grand Junction MSA

The distribution of loans to small businesses (businesses with gross annual revenues of \$1 million or less) in the Grand Junction MSA is good. Although the dollar volume of loans to small businesses is below the demographic comparator, the number of loans to these businesses significantly exceeds the demographic comparator.

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Grand Junction MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64%	4%	32%	100%
% of Bank Loans in AA by #	87%	13%	0%	100%
% of Bank Loans in AA by \$	52%	48%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

### Moffat, Rio Blanco, and Routt Counties Non-MSA

The distribution of loans to small businesses in the Moffat, Rio Blanco, and Routt Counties Non-MSA is excellent. The portion of loans to small businesses based on the number of loans significantly exceeds the demographic comparator; and the portion of loans based on dollar volume, slightly exceeds the demographic comparator.

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Moffat, Rio Blanco, and Routt County Non-MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62%	3%	35%	100%
% of Bank Loans in AA by #	82%	18%	0%	100%
% of Bank Loans in AA by \$	63%	37%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

## **Geographic Distribution of Loans**

### Grand Junction MSA

The geographic distribution of home mortgage loans in the Grand Junction MSA is excellent. The portion of loans in moderate-income CTs exceeds the demographic comparator for home purchase loans and substantially exceeds the demographic comparator for home improvement loans. However, the overall volume of home improvement loans in this AA is not significant. The portion of home refinance loans in moderate-income CTs nearly meets the demographic comparator. There are no low-income CTs in the Grand Junction MSA.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Grand Junction MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00%	0.00%	14.19%	15.71%	60.18%	67.14%	25.63%	17.14%
Home Improvement	0.00%	0.00%	14.19%	44.44%	60.18%	33.33%	25.63%	22.22%
Home Refinance	0.00%	0.00%	14.19%	13.16%	60.18%	55.26%	25.63%	31.58%

Source: Data reported under HMDA; U.S. Census data.

Moffat, Rio Blanco, and Routt Counties Non- MSA

The geographic distribution of home mortgage loans in moderate-income CTs in the Moffat, Rio Blanco, and Routt Counties Non-MSA is excellent. As noted below, the portion of all types of home mortgage loan products significantly exceeds the demographic comparator. There are no low-income CTs in this AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00%	0.00%	2.70%	5.52%	56.78%	87.12%	40.53%	7.36%
Home Improvement	0.00%	0.00%	2.70%	6.00%	56.78%	86.00%	40.53%	8.00%
Home Refinance	0.00%	0.00%	2.70%	4.62%	56.78%	86.13%	40.53%	9.25%

Source: Data reported under HMDA; U.S. Census data.

Grand Junction MSA

The geographic distribution of loans to businesses in the Grand Junction MSA is adequate. The portion of business loans in moderate-income CTs is somewhat below the demographic comparator. There are no low-income CTs in this AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	0.00%	0.00%	26.80%	20.00%	51.44%	67.00%	21.76%	13.00%

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

Moffat, Rio Blanco, and Routt Counties Non-MSA

The geographic distribution of loans to businesses in the Moffat, Rio Blanco, and Routt Counties Non-MSA AA is weak. Based on a sample of 22 business loans that we reviewed, none of the loans were originated in a moderate-income geography. However, it is important to note that there is only one moderate-income CT in this AA and only 1.49 percent of the businesses are located in the CT, which limits the opportunity for business loans in this geography.

<b>Table 3A – Geographic Distribution of Loans to Businesses in Moffat, Rio Blanco, Routt Counties Non-MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	0.00%	0.00%	1.49%	0.00%	48.54%	64.00%	49.98%	36.00%

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

## Responses to Complaints

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

## COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test is “Outstanding”. The level of CD loans and investments relative to allocated Tier One Capital is excellent. <sup>1</sup> In its Grand Junction AA, the bank provided a very high level of CD loans and investments. In its Moffat, Rio Blanco, and Routt Counties Non-MSA AA, the bank provided a high level of CD loans and investments, particularly considering the weak community development infrastructure in this AA. In addition, the bank provided a very high level of qualified CD services to community development organizations in its AAs.

### Number and Amount of Community Development Loans

FNBR provided an excellent level of community development loans in its AAs.

The bank provided five CD loans totaling over \$2.6 million in the Grand Junction MSA. The loans equal 27 percent of allocated Tier One Capital and represent a very high level of community development lending. The loans provided funding to a local builder who focuses on building affordable homes for first-time home buyers. The multi-family units range in price between \$122,900 and \$158,900 and are affordable for moderate-income individuals living in this AA.

The bank also provided one loan totaling just over \$2 million in the Moffat, Rio Blanco, and Routt Counties Non-MSA AA. This level of CD lending equals eight percent of allocated Tier One Capital and represents a high level of CD lending. The loan is to a local housing authority and will help provide affordable housing for low-income individuals.

<sup>1</sup> The term “allocated Tier One Capital” is used to describe the portion of capital that is equal to the portion of deposits a specific AA represents in relation to total bank deposits. It is used only as a reference. The term is used in relation to FNBR’s CD lending and qualified investments.

## **Number and Amount of Qualified Investments**

The bank's level of qualified community development investments in its AAs is excellent.

FNBR originated seven qualified CD investments totaling almost \$2.2 million in the Grand Junction MSA. This equals 22 percent of allocated Tier One Capital and represents a very high level of qualified investments. The largest investment, which is over \$2.1 million, will help promote economic development in a moderate-income census tract in the bank's AA. The remaining investments are donations to organizations which provide services to LMI individuals or affordable housing for LMI individuals.

In its Moffat, Rio Blanco, and Routt Counties Non-MSA assessment area, the bank provided 18 qualified investments totaling almost \$1.2 million. This equals 5 percent of allocated Tier One Capital and is a high level of investments. The largest investment is a bond for \$1.1 million which will assist in the redevelopment of an underserved middle-income CT in Rio Blanco County. The remaining investments consist of donations, which are primarily to organizations that provide services for LMI individuals.

## **Extent to Which the Bank Provides Community Development Services**

The level of qualified services provided in both of the bank's AAs is excellent. Bank employees provided 535 hours of qualified CD services to four organizations in the Grand Junction MSA. The organizations either focus on providing services to low-and moderate-income individuals or focus on revitalizing the community and providing jobs for low- or moderate-income individuals. The services provided include serving as board members and reviewing and approving budgets.

In the Moffat, Rio Blanco, and Routt Counties Non-MSA, the bank provided 780 hours of qualified CD services to eight organizations that primarily benefit LMI individuals. The services the bank provided include fundraising, reviewing financial statements, and serving on boards.

## **Responsiveness to Community Development Needs**

The bank's CD loans, investments and services are very responsive to the community development needs in its assessment areas. The bank responded to the need for loans and investments that support affordable housing for low- and moderate-income individuals, services to low- and moderate-income individuals, and redevelopment of moderate-income or underserved middle-income geographies.

## **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.