

PUBLIC DISCLOSURE

April 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Boulder County
Charter Number 23194**

**2835 Pearl Street
Boulder, Colorado 80301**

**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 **First National Bank of Boulder County** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 19, 1999. 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.”**

A satisfactory rating is appropriate based on the bank’s demonstrated ability to meet the credit needs of the community, including low- and moderate-income individuals and small businesses. Specifically:

- < The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- < The bank’s loan-to-deposit ratio is reasonable given the competition and assessment area credit needs.
- < A majority of the bank’s loans and other lending related activities are in the assessment area.

First National Bank of Boulder County is committed to serving the community in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION:

First National Bank of Boulder County (FNB) is a community bank with total assets of \$26 million. The bank opened for business on March 17, 1997, and serves the population of Boulder County. FNB is a wholly owned subsidiary of Sturm Banks of Colorado, Inc., a four-bank holding company with total assets of \$660 million.

FNB is located in Boulder, Colorado. The bank operates one deposit taking automated teller machine (ATM) located outside the bank's office. There are no branch offices.

FNB offers a variety of loan products with the primary focus being commercial lending. Call Report data is as of March 31, 1999, with commercial loans comprising 59% of the total loan portfolio by dollar. Commercial loans include loans for commercial and industrial purposes and loans secured by nonfarm nonresidential real estate. Loans secured by residential real estate and construction loans represent 24% and 12% of total loans by dollar, respectively. The remainder of the portfolio (5%) is made up of loans to individuals. As of December 31, 1998, net loans represent 63% of the bank's total assets.

This Performance Evaluation (PE) is an assessment of the bank's CRA performance from March 17, 1997, to March 31, 1999. This is the bank's first CRA evaluation. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

DESCRIPTION OF BOULDER COUNTY:

FNB has designated Boulder County as its assessment area (AA). Boulder County comprises the entire Boulder-Longmont Metropolitan Statistical Area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The AA includes 58 census tracts. Census tract income designations are based on the 1990 United States Census MSA Median Family Income of \$43,782. Of these census tracts, two (3%) are designated as low-income, nine (16%) are designated as moderate-income, 28 (48%) are designated as middle-income, and 18 (31%) are designated as upper-income. One (2%) census tract has no income designation and consists solely of student housing owned by the University of Colorado.

Boulder County has an estimated population of 260,500. The major towns are located in the eastern half of the county and include Boulder, Longmont, Louisville, Lafayette, Broomfield, Superior, Lyons, and Erie. Approximately 95,500 people reside in the city of Boulder. The western half of the county is sparsely populated and includes portions of the Roosevelt National Forest and the Rocky Mountain National Park. The income demographics of the population are as follows:

Distribution of Families within Boulder County by Income		
Income Level*	Families by Number	Families by Percent
Low Income (0 - 50%)	9,935	18
Moderate Income (51% - 80%)	9,936	18
Middle Income (81% - 120%)	14,033	26
Upper Income (greater than 120%)	21,026	38
Total	54,930	100

*Note: Income Designation of the borrower is based on the 1990 MSA US Census Median Family Income of \$43,782.

The 1998 MSA US Census Updated Median Family Income is \$63,100.

The economy of Boulder County continues to be strong. Major employers are high tech companies, including IBM Corp., Storage Technology, and Ball Aerospace, and state and local governments, including the University of Colorado and Boulder County. Unemployment is low at approximately 3.8%. Additionally, Boulder is a popular destination for individuals seeking recreational activities.

The banking environment within the AA is very competitive. Within Boulder County there are 16 commercial banks, seven credit unions, 12 finance companies, and more than 80 mortgage companies.

During our examination, we interviewed the Director of the Small Business Development Center for Boulder County. Based on this discussion, the greatest credit need in Boulder County is small business loans. FNB is actively involved in meeting this need and in providing access to banking services. Our contact did not identify any segments of the community that are under-served.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, risk appetite, and AA credit needs. The average loan-to-deposit ratio for the previous eight quarters ending December 31, 1998, is 69%. The eight quarter average loan-to-deposit ratios for similarly situated banks in the assessment area range between 50% and 83%, resulting in an average ratio of 65%. Similarly situated banks are those which are comparable in location and loan products offered. FNB also originates a large volume of real estate mortgage loans and sells them in the secondary market. During the assessment period from March 17, 1997, to March 31, 1999, the bank originated a total of 224 mortgage loans by number and \$35 million by dollar.

Lending in the Assessment Area

FNB of Boulder County originates the majority of its loans in number and dollar volume within its assessment area. We sampled 20 commercial loans and 20 residential mortgage loans originated between March 17, 1997, and March 31, 1999. The following chart summarizes our findings:

Loan Originations	Number of Loans Sampled		Dollar Amount of Loans Sampled	
	Number	Percentage	Dollar	Percentage
In Assessment Area	31	78	4,458,000	80
Out of Assessment Area	9	22	1,140,000	20
Total	40	100	5,598,000	100

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

FNB overall lending patterns reflect reasonable penetration among individuals of different income levels and businesses of different sizes.

Commercial Loans

The bank is active in meeting the credit needs of small businesses within the community. By definition, small businesses are those with annual revenues of less than \$1 million. We sampled 20 loans originated between March 17, 1997, and March 31, 1999, that financed commercial activities. As shown in the table, 65% of the loans by number were to small businesses. Further, 40% by number and 37% by dollar volume were made to businesses with annual revenues of less than \$250,000.

Distribution of Commercial Loans by Annual Revenue				
Annual Revenue	Number of Loans in Sample	Percent of Loans in Sample	Dollar Amount of Loans Sampled	Percent of Dollar Volume Sampled
Revenues Less than \$250M	8	40	1,017,418	37
Revenues \$250M - \$500M	4	20	467,000	17
Revenues \$500M - \$1,000M	1	5	105,000	4
Revenues more than \$1,000M	7	35	1,151,261	42
Total	20	100	2,740,679	100

This distribution closely matches the AA demographics. The 1990 US Census data indicates 75% of the businesses within the AA have revenues of less than \$1 million.

Residential Real Estate Loans:

The bank’s efforts in meeting the credit needs of residential real estate borrowers are satisfactory. Our sample consisted of 20 mortgage loans originated between March 17, 1997, and March 31, 1999, to finance owner-occupied real estate. The following table shows a breakdown of residential real estate loan originations by income levels as compared to the population.

Distribution of Mortgage Loans to Borrowers of Different Income Levels					
Income Designation of the Borrower*	Percent of Families in the Assessment Area	Number of Loans Sampled	Percent of Loans Sampled	Dollar Amount of Loans Sampled	Percent of Dollar Volume of Loans Sampled
Low Income	18	5	25	463,000	16
Moderate Income	18	4	20	313,903	11
Middle Income	26	6	30	1,124,750	39
Upper Income	38	5	25	955,600	34
Total	100	20	100	2,857,253	100

*Note: Income Designation of the borrower is based on the 1998 MSA US Census Updated Median Family Income of \$63,100.

The bank’s opportunities to originate owner-occupied real estate loans to low- and moderate-income borrowers are limited by the availability of affordable housing and the high price of real estate. The large student population creates high demand for rental properties which are located primarily in the low- and moderate-income census tracts. Of the total available housing, in the low- and moderate-income census tracts, 98% and 55% respectively, are rental properties. This compares to only 33% of the total available housing in middle- and upper-income census tracts being used as rental properties.

The Boulder County Assessor’s Office reports that, as of December 31, 1997, the average sales price of single family homes in Boulder County was \$199,300. Given the median family income of \$63,100, it is cost prohibitive for many low- and moderate-income borrowers to purchase a home in Boulder County.

It should be noted that the bank originated a \$1.5 million loan for the purpose of constructing a 27 unit low-income apartment complex within their assessment area.

Geographic Distribution of Loans Within the Assessment Area

The geographical distribution of loans within the AA is reasonable. Of the 40 loans sampled, 31 were originated within the AA. The distribution of these loans compares favorably to area demographics. The bank exceeded area demographics in lending to consumers and businesses located in moderate-income tracts. The following charts give a breakdown of these loans to demonstrate the bank's lending activity among different income level tracts by number and by dollar amount.

Distribution of Owner Occupied Residential Real Estate Lending Within the Assessment Area by Income Level of Census Tract					
Census Tract Designation by Income (1)	Percent of Owner Occupied Residences within Census Tract (2)	Number of Loans Sampled	Percent of Loans Based on Number	Dollar Amount of Loans Sampled	Percent of Loans Based on Dollar Amount
Low Income	0	0	0	0	0
Moderate Income	16	5	29	514,403	20
Middle Income	52	8	47	1,382,600	53
Upper Income	32	4	24	693,000	27

(1) Income Characteristics of census tracts is based on the 1990 U.S. Census MSA Median Family Income.

(2) Assessment Area Demographics is based on the percentage of owner-occupied units within the assessment area based on the 1990 U.S. Census MSA Median Family Income.

Distribution of Commercial Lending Within the Assessment Area by Income Level of Census Tract					
Census Tract Designation by Income (1)	Percent of Nonfarm businesses within Census Tract (2)	Number of Loans Sampled	Percent of Loans Based on Number	Dollar Amount of Loans Sampled	Percent of Loans Based on Dollar Amount
Low Income	0	0	0	0	0
Moderate Income	25	6	42	887,898	48
Middle Income	56	4	29	227,374	12
Upper Income	18	4	29	752,302	40

(1) Income Characteristics of census tracts is based on the 1990 U.S. Census MSA Median Family Income.

(2) Assessment Area Demographics is based on the percentage of total nonfarm businesses within census tract income category.

The University of Colorado and student housing are located in the low-income census tracts. There is minimal opportunity for any residential or commercial lending in these areas.

Response to Complaints

No complaints have been received regarding the bank's CRA or Fair Lending performance since the bank opened for business on March 17, 1997.

Institutions Record of Compliance with Antidiscrimination Laws

The bank is in substantial compliance with all fair lending laws and regulations. As part of our concurrent fair lending examination, we reviewed loan policies and a sample of 10 diverse loan products to assess any substantive violations of fair lending laws and regulations. We did not find any evidence of discrimination or practices intended to discourage low- and moderate-income applicants from applying for credit.