



SMALL BANK

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

PUBLIC DISCLOSURE

September 27, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Estes Park
Charter Number 15472**

**255 Park Lane
Estes Park, CO 80517**

**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 Satisfactory.

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

- The bank's loan-to-deposit ratio is good given area competition and the credit needs of the community.
- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The bank's pattern of lending to low- and moderate-income borrowers and small businesses reasonably reflects area demographics.

FNB Estes Park is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

First National Bank of Estes Park (FNB) is an \$88 million institution located in central Colorado. First National Financial Corporation, a one-bank holding company headquartered in Estes Park, Colorado wholly owns FNB. FNB accounts for substantially all the assets of First National Financial Corporation.

The bank operates three full-service facilities. In addition to the main office in Estes Park, one branch is on the southern edge of the community. The other branch is in Niwot, Colorado and while offering both loan and deposit products, exists more to serve the depository convenience of its customers who commute to jobs in other towns. Except for Niwot, each location operates a drive-up facility. All locations offer an ATM with an additional deposit-taking ATM in downtown Estes Park. The bank faces strong competition from numerous community and regional banks in its assessment area.

FNB offers a variety of credit products. The primary loan products by dollar volume are commercial real estate secured loan at 48 percent of total loans and loans secured by 1-4 family residences at 14 percent of total loans. Our rating of the bank's CRA performance is based on an analysis of these two products. Other loans offered by the bank include commercial and industrial (16%), construction and development (8%) and other consumer (13%). Net loans represent 78 percent of the bank's total assets. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

We made one community contact with this examination. We spoke with an administrator of the Town of Estes Park. This individual indicated affordable housing and small business are the primary credit needs of the community.

FNB received a "Satisfactory" rating at the last CRA examination dated October 4, 1999.

Please refer to the bank's public file for additional information.

DESCRIPTION OF BOULDER-LONGMONT MSA AND FT. COLLINS-LOVELAND MSA

Management has designated two assessment areas (AA). These are contiguous counties located in central Colorado. One AA is comprised of the Boulder-Longmont MSA. Based on 1990 census data, this AA is comprised of 58 census tracts, of which two (3%) are designated as low-income, nine (16%) as moderate-income, 28 (48%) as middle-income, and 18 (31%) as upper-income. One (2%) census tract does not have an income designation. The Department of Housing and Urban Development (HUD) 2002 MSA updated median-family income for this MSA is \$87,900. Based on 1990 US Census data, there are 54,932 families residing within the MSA, of which, 18 percent are low-income and 18 percent are moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

The second AA is comprised of the Ft. Collins-Loveland MSA. Based on 1990 census data, this AA is comprised of 44 census tracts, of which three (7%) are designated as low-income, six (14%) as moderate-income, 25 (57%) as middle-income, and nine (20%) as upper-income. One (2%) census tract does not have an income designation. The HUD 2002 MSA updated median-family income for this MSA is \$60,800. Based on 1990 US Census data, there are 47,521 families residing within the MSA, of which 19 percent are low-income and 19 percent are moderate-income.

Current economic conditions are showing gradual growth and improvement. The Estes Park economy is heavily dependent upon tourism, with the local employment base predominantly in the public sector and private sector tourist supported industries. There is an increasing shortage of housing for prospective residents and employees during the tourist season. Even so, the dominant natural phenomena of mountains and forests favorably affect the area's commercial opportunities.

The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Please refer to the bank's public file for additional information.

CONCLUSION ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is good given area competition and credit needs of the community.

The bank's average quarterly loan-to-deposit ratio since the previous CRA exam is 82 percent. The average quarterly loan-to-deposit ratio of similarly situated banks over the same time period ranged between 26 percent and 88 percent. This bank ranked third among seven banks. Similarly situated banks are those banks of similar business lines operating within the same geography.

Lending in the Assessment Area

The majority of loans by number and dollar volume are originated within the bank's AA.

We sampled all home purchase loans reported under the Home Mortgage Disclosure Act (HMDA) in 2001 and 2002, and 20 loans secured by commercial real estate. Of the 34 loans reviewed, 100 percent by number and 100 percent by dollar volume were originated within the AAs.

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

The bank's pattern of lending to low- and moderate-income borrowers and small businesses reasonably reflects area demographics.

Within the Ft. Collins-Loveland MSA, area demographics indicate 19 percent low-income and 19 percent moderate-income families of total families. By number, 7 percent of home purchase loans sampled were originated to low-income borrowers and 29 percent to moderate-income borrowers. The bank's performance of lending to low-income borrowers is below area demographics due to the high cost of housing. In addition, 12 percent of the households in the area are below poverty level, which would indicate inability to afford home purchases. These factors naturally preclude low-income borrowers from the real estate market. The bank's pattern of lending to moderate-income borrowers reasonably meets area demographics of low- and moderate-income families.

The distribution of commercial loans secured by real estate originated in the Ft. Collins-Loveland MSA indicates good performance in lending to businesses of different sizes. Of the 20 loans sampled, 95 percent by number and 89 percent by dollar volume were originated to small businesses. This compares favorably to area demographics in which 91 percent of the businesses for which revenue information was available are small businesses.

A meaningful analysis of residential and commercial lending patterns in the Boulder-Longmont metropolitan statistical area (MSA) is precluded by the low volume of loans eligible for sampling. The Niwot branch serves more for the depository conveniences of the bank's customers. There are a number of other financial institutions, branches of financial institutions,

mortgage companies, and other financial service providers who satisfactorily serve the credit needs of the Boulder-Longmont MSA.

Loans within the sample are concentrated around Estes Park, which is in the Ft. Collins-Loveland MSA. Our sample appears indicative of the lending volume offered within the two assessment areas, and the satisfactory pattern of lending to low- and moderate-income borrowers and small businesses within the Ft. Collins-Loveland MSA, where the bank focuses its lending activity, offsets the lower volume and inability to do a meaningful analysis of the lending services offered in the Boulder-Longmont MSA. The inability to perform a separate analysis of the Boulder-Longmont MSA did not adversely impact the bank's overall rating.

Geographic Distribution of Loans

The geographic distribution of loans within the Ft. Collins-Loveland AA is reasonable.

All of the loans sampled were originated in middle-income geographies. This is not a significant concern given the size of the bank and the location of the branches. All but one of the low- and moderate-income geographies in the Ft. Collins-Loveland MSA are located in the cities of Fort Collins and Loveland, and are some distance from the bank's office locations in Estes Park. The only moderate-income geography in the MSA that is not in Loveland or Fort Collins is wholly comprised of sparsely populated National Park and National Forest land. Estes Park is predominantly a middle-income area distinctly located in a mountainous valley. Estes Park is not a practical banking choice for consumers living outside the immediate area.

The geographic distribution of commercial real estate secured loans is also reasonable. We sampled 19 commercial real estate loans originated in the Ft. Collins-Loveland MSA. All of the loans were originated in middle-income geographies. Again, this is not a significant concern given the unique geographic characteristics of this area and that the low- and moderate-income geographies within the MSA are located outside of the Estes Park city geography.

We did not perform an analysis of the geographic distribution of loans for the Boulder-Longmont MSA, as we were unable to obtain a meaningful sample due to the low volume of loans originated out of the Niwot branch. This did not adversely affect the overall rating.

Response to Complaints

The bank has not received any CRA related complaints since the previous examination. We did not perform an analysis of the geographic distribution of loans for the Boulder-Longmont MSA, as we were unable to obtain a meaningful sample due to the low volume of loans originated out of the Niwot branch. This did not adversely affect the overall rating.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.