



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 01, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Steamboat Springs
Charter Number 23859**

**600 S. Lincoln Avenue
Steamboat Springs, CO 80487**

**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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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 The **First National Bank of Steamboat Springs** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 1, 2002. 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 given the bank's demonstrated ability to meet the credit needs of the community including loans to small businesses. Specifically:

- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The bank lends to businesses of different sizes and meets the credit needs of low- to moderate-income individuals through community development loans.
- The bank's loan-to-deposit ratio is adequate given area competition and credit needs of the community.

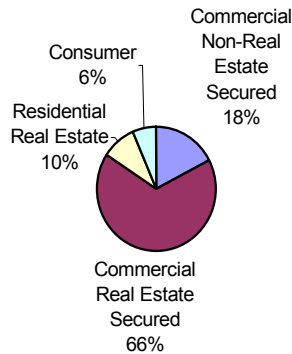
First National Bank of Steamboat Springs is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

First National Bank of Steamboat Springs (FNB) is a \$28 million bank. The bank is located in Steamboat Springs, Colorado. The bank operates one drive-up facility located at the bank. The bank also owns and operates one deposit-taking Automated Teller Machine (ATMs) located at the drive-up facility.

FNB is a subsidiary of Routt County Bancorporation, Inc., located in Steamboat Springs, Colorado. Bank assets represent substantially all of the holding company assets. The consolidated financial statement for year-end 2001 shows total assets of \$29 million.

Loan Portfolio Distribution



The chart to the left reflects the composition of the bank’s loan portfolio by dollar volume. Commercial purpose loans comprise 84 percent of the total portfolio. The majority of the residential real estate secured portfolio is home equity installment loans. Individual consumer loans include automobile loans and other installment loans. As a result of the loan portfolio distribution, our review of the bank’s performance will focus on commercial purpose and community development loans.

Net loans represent 56% of the bank’s total assets.

This Performance Evaluation is an assessment of the bank’s CRA performance from March 27, 2000, through April 1, 2002. 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 ROUTT COUNTY

Management and the board have designated Routt County as the bank’s assessment area (AA). Located in Northwest Colorado along the Wyoming border, cities within the county include Steamboat Springs, Hayden, Oak Creek, and Yampa. The county consists of six Block Numbering Areas (BNAs). Two (33%) BNAs have a middle-income designation. The remaining four (66%) BNAs have an upper-income designation.

The AA meets the requirements of the regulation. The bank, given its size and location, can reasonably serve this AA. The AA is comprised of a whole political subdivision and does not arbitrarily exclude any low- or moderate-income areas.

The Department of Housing and Urban Development (HUD) 2001 updated non-MSA median-family income for Colorado is \$43,700. Based on US Census data there are 3,528 families residing within the AA of which 23 percent are deemed low- to moderate-income. Income Designations are determined based on annual income as a percentage of the non-MSA median-family income. The following table demonstrates the income distribution of families in Routt County.

DISTRIBUTION OF FAMILIES BY INCOME DESIGNATION		
Income Designation	Routt County	
	# of Families	% of Total
Low-Income (less than 50%)	427	12%
Moderate-Income (between 50% and 80%)	374	11%
Middle-Income (between 80% and 120%)	777	22%
Upper-Income (greater than 120%)	1,950	55%
Total Families	3,528	100%

Economic conditions are stable. The primary industry is tourism, driven by the ski industry and recreational activity. Consequently, the largest employment sectors are service and retail trade, employing over half of the work force in Routt County. Two-thirds of all businesses employ four or fewer employees and generate less than \$500,000 per year in revenue. The largest area employer is Steamboat Ski and Resort Corporation followed by the school district and city and county government. In 1999 unemployment in Routt County was 2.2 percent.

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.

Housing prices in Routt County continue to increase. In 1999, the median housing cost was \$326,439 as reported by the Routt County Assessors Office. The non-MSA median-family income of \$43,700 is not sufficient to secure permanent housing for most low- and moderate-income individuals. Consequently, affordable housing has become a primary concern of city and county officials within the assessment area.

The bank faces strong competition within its assessment area from five banks including three large banks with assets over \$1 billion. FNB is the fifth smallest bank in asset size and holds less than six percent of the total market share of deposits.

We made two community contacts during this review. We interviewed the Executive Director of the Chamber of Commerce and a long-time resident and city council member. Both contacts reside and work in Steamboat Springs. Our contacts indicated the economy is expected to remain stable. Tourism was down in recent months largely due to the national recession, however indicators show a steady increase to previous year's levels. The greatest need throughout the county continues to be affordable housing. The lack of housing makes it difficult to attract new residents needed to support industries and businesses.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

First National Bank does a good job of meeting the credit needs of its AA, including low- and moderate-income individuals.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. As of December 31, 2001, the bank's seven-quarter average loan-to-deposit ratio calculated since the bank opened was 62 percent. The loan-to-deposit ratios over the same time period for similarly situated banks range between 51 percent and 72 percent. Similarly situated banks are those banks of comparable asset size operating in the same geography.

Lending in Assessment Area

The bank's level of lending within the AA is satisfactory. Our sample of commercial loans originated and outstanding since the bank began operations indicates the majority of loans, by number and dollar volume, are originated within the AA. The following table illustrates these findings:

Loan Type	Loans in the AA based on the Number of Loans in the Sample	Loans in the AA based on the Dollar Volume of loans in the Sample
Commercial Loans	90%	93%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's efforts to meet the credit needs of borrowers of different incomes and businesses of different sizes are satisfactory.

Consumer Loans

The bank's loan portfolio is comprised substantially of commercial purpose loans. Consumer purpose loans comprise only 16 percent of the bank's total loan portfolio. Of these, no one consumer loan product comprised more than five percent of the bank's total loan portfolio. Therefore, an analysis of the consumer loan portfolio would not have been meaningful.

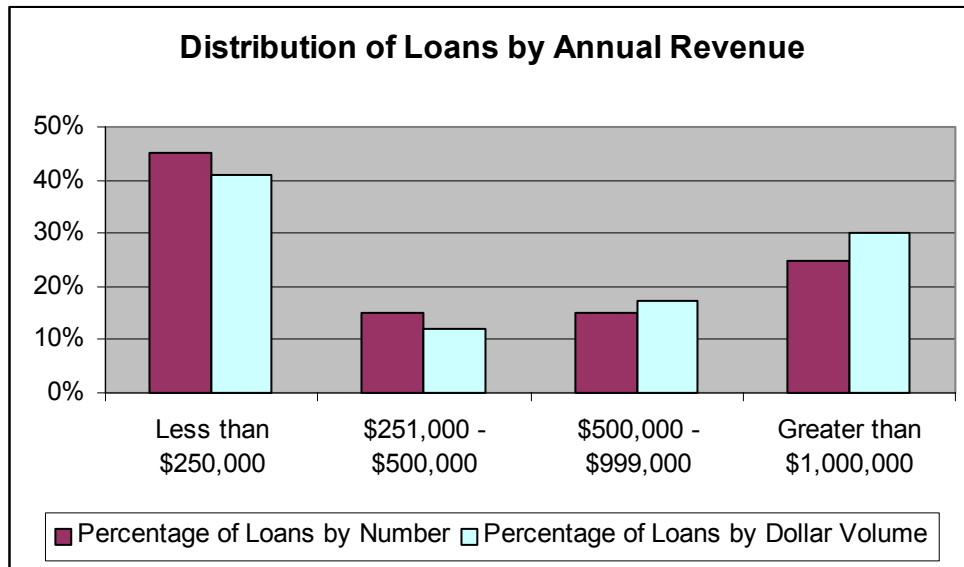
While we did not sample consumer loans, we did review the bank's community development loans originated in 2001. The bank actively sought opportunities to fund projects designed to assist low- to moderate-income individuals and families. In total the bank funded \$750M which helped to provide 21 affordable housing units and medical care to a large number of individuals without private health insurance.

Commercial Loans

Businesses with annual gross revenues of \$1 million or less are designated as "small businesses." The demographic data indicate that 94 percent of all businesses within the AA have annual revenues of \$1 million or less.

Our sample included twenty commercial loans originated and outstanding within the bank's AA since the bank opened. The percentages of loans originated to small businesses by number and

dollar volume were 75 percent and 70 percent, respectively. Although the bank's overall lending pattern is not reflective of area demographics, a further analysis of the data shows the bank originated over 40 percent of its loans, by number and dollar volume, to very small businesses (annual revenues less than \$250,000). The following chart shows the distribution of the bank's loans to businesses of different sizes.



This demonstrates the bank's commitment to meeting the credit needs of businesses of different sizes within the community.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not performed. All geographies within the AA are designated as middle- or upper-income. Therefore, an analysis would not be beneficial.

Responses to Complaints

The bank has not received any CRA related complaints.

Fair Lending Review

An analysis of 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The bank has not received a comprehensive fair lending exam.