



## **PUBLIC DISCLOSURE**

March 3, 2014

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

Cañon National Bank  
Charter Number 16392

816 Royal Gorge Boulevard  
Cañon City, CO 81212

Office of the Comptroller of the Currency

1225 17th Street  
Suite 450  
Denver, CO 80202-5534

**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**

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance given the bank's size, financial condition, and competition in the assessment areas.
- A substantial majority of the bank's loans, 94% by number and 89% by dollar volume, were originated to borrowers within the bank's designated assessment areas (AAs).
- Borrower distribution to small businesses and to low-and-moderate income borrowers is reasonable.
- Lending to borrowers and businesses in low- and moderate-income census tracts has reasonable dispersion.

## **SCOPE OF EXAMINATION**

The evaluation period for this examination focused on commercial real estate loan originations from January 2011 through February 2014 and Home Mortgage Data (HMDA) from January 1, 2010 through December 31, 2012. Our loan sample was selected from the bank's primary lending products, which are commercial real estate and residential real estate loans. We randomly selected a sample of 74 commercial real estate loans along with reviewing HMDA reportable loans for the Pueblo and Colorado Springs Metropolitan Statistical Areas (MSA) and Fremont County AA. These samples are representative of the bank's business strategy since the last CRA examination in 2009. The bank only originated six home improvement loans during the three-year evaluation period and therefore that data was excluded from our analysis.

Due to the census data changing in the evaluation period, we compared 2000 census data for loans originated from January 1, 2010 to December 31, 2011. We compared 2010 census data for loans originated after January 1, 2012.

Our review also included contacting a community representative in the Pueblo County AA to assist us in determining the credit needs of the AA.

## **DESCRIPTION OF INSTITUTION**

Cañon National Bank (CNB) is a \$246 million institution headquartered in Cañon City, CO. It is the last locally owned bank in Fremont County. CNB is 100% owned by Cañon Bancorp a privately held one-bank holding company. The bank operates nine full service facilities. The bank has not closed or opened branches since the previous performance evaluation. The main bank and one branch are located in Cañon City, Colorado. Three branches are located in nearby Pueblo and two branches are located in Colorado Springs, Colorado. One branch is located in each town of Florence and Colorado City, Colorado. The bank also operates deposit-taking ATMs at all bank locations.

CNB's primary loan products by dollar volume are real estate loans, specifically commercial real estate (68.87%) and residential real estate (18.14%). Other loan products include commercial and industrial (5.64%), construction and development (4.66%), and consumer loans (0.55%). Net loans represent 57% of the bank's total assets.

<b>Loan Portfolio Composition as of December 31, 2013</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate	94,403	68.87
Residential Real Estate	24,870	18.14
Commercial & Industrial	7,737	5.64
Construction & Development	6,385	4.66
Agricultural	1,359	0.99
Consumer	752	0.55
Other	1,576	1.15
<b>TOTAL</b>	<b>137,082</b>	<b>100.00</b>

*Source: December 31, 2013 Call Report.*

CNB continues to operate a secondary mortgage loan operation in Cañon City. In 2013, the bank sold over \$24 million in mortgage loans. The mortgage operation employs four employees out of its Cañon City office and does not have a mortgage originator in the Pueblo or Colorado Springs markets. In 2011, CNB started offering in house residential mortgage products (Home Town Mortgage) which are maintained on the bank's books.

There are no legal, financial, or other factors that impede CNB's ability to meet the credit needs of its AA. CNB received a "Satisfactory" rating at the last CRA examination dated July 28, 2009.

*Refer to the bank's CRA Public File for more information.*

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Management has designated three AAs, two of which are Metropolitan Statistical Areas (MSAs). The AAs are Fremont County, Pueblo County (Pueblo MSA), and El Paso County (Colorado Springs MSA). The AAs are contiguous geographical areas, meet the requirements of the regulation, and do not arbitrarily exclude low- or moderate-income geographies. Stressed economic conditions exist in all the markets served by the bank with high unemployment and generally weak real estate values. Interest rates are at low levels and inflation concerns are contained at this time.

### **Fremont County**

Fremont County is close to Colorado Springs and Pueblo, and is home to 15 correctional facilities. Cañon City is the largest municipality and the county seat. Cañon City is situated along the Arkansas River, which allows for soil suitable to orchards, ranching and farming. However, Cañon City has slowly transitioned from an agricultural community to a more diverse

economy including not only agriculture, but also tourism, education, manufacturing, and medicine. The major employers in Cañon City include the Colorado Department of Corrections and Centura Health.

The local economy is stagnant with minimal small business growth and declining school enrollment. The county unemployment rate remains high at 8.2% at December 31, 2013 and approximately 15% of households have income under the poverty level. The 2013 Department of Housing and Urban Development (HUD) updated non-MSA median-family income for Fremont County is \$59,600. According to the 2010 US Census, there are 11,403 families residing within the AA, of which 50% are deemed low- and moderate-income (LMI). Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

Competition within the AA for financial services is strong. CNB's competitive environment in this AA consists of nine smaller to mid-size independent community banks, including Sunflower, Pueblo Bank and Trust, Legacy Bank and Colorado East. As of June 30, 2013, CNB held 21% of the deposit market.

2000 census data shows that Fremont County contains 13 census tracts (CTs) but no low- or moderate- income tracts. The AA consists of 10 middle- income tracts, one upper- income tract, and two tracts with no income designation.

Updated 2010 census data shows 14 CTs consisting of no low-income tracts, five (36%) moderate-income tracts, five (36%) middle-income tracts, and 1 (7%) upper income tract. Three tracts (21%) have no income designation.

## **Pueblo County MSA**

The second AA is Pueblo County, which represents the entire Pueblo MSA. Pueblo, Colorado, is the largest city in the county and has a diverse workforce. Over 85% of all of Pueblo's employees work for thriving small businesses. However, several large businesses and corporations have chosen to make Pueblo their home. Major industries are steel, alternative energy, manufacturing, and healthcare. Top employers are school districts, medical centers, and manufacturing facilities. Competition within the AA for financial services is strong. CNB's competitive environment in this AA consists of 13 financial institutions with stiff competition from large banks. As of June 30, 2013, three large banks held 58% of the deposit market. We contacted a member of the community to assess the credit needs in the Pueblo MSA. The contact indicated that small business lending continues to be a primary credit need in the community. The contact also said that local financial institutions are doing a satisfactory job meeting community credit needs.

The local economy remains weak but is showing improving trends. The unemployment rate is high at 8.7% but down from its peak of 11.3% in January 2013. The 2013 HUD updated MSA median-family income for the Pueblo MSA is \$51,400. Based on 2010 census data, there are 40,247 families residing within the Pueblo MSA, of which 39% are deemed LMI. Approximately 17% of households have income below the poverty level.

2000 census data shows the Pueblo MSA is comprised of 51 CTs with no low- income tracts, 19 (37%) moderate-income tracts, 19 (37%) middle- income tracts, 11 (22%) upper- income tracts, and two (4%) tracts with no income designation.

Updated 2010 census data shows 55 CTs with four (7%) low-income tracts, 16 (29%) moderate-income tracts, 17 (32%) middle-income tracts, and 15 (27%) upper income tracts. Three (5%) census tracts do not have an income designation.

### **El Paso County MSA**

The third AA is El Paso County, which represents the Colorado Springs MSA. The Colorado Springs' economy is driven primarily by the military, the high-tech industry, and tourism. Competition within the AA for financial services is significant with 37 financial institutions operating in the market. As of June 30, 2013, three large banks held 51% of the deposit market.

The local economy is good. The city is currently experiencing some growth mainly in the service sectors. The defense industry plays a major role in the Colorado Springs economy, with some of the city's largest employers coming from this sector. Colorado Springs is home to both Army and Air Force bases. Tourism is the third largest employer in the Pikes Peak region, accounting for more than 13,000 jobs. In December 2013, the unemployment rate was 7.2%, down significantly from the prior year of 10.1%. Approximately 10% of households have income below the poverty level. The 2013 HUD updated MSA median-family income for the Colorado Springs MSA is \$69,100. Based on 2010 census data, there are 153,625 families residing within the Colorado Springs MSA, of which 38% are deemed LMI.

2000 census data shows the Colorado Springs MSA is comprised of 111 CTs with one (1%) low-income tract, 32 (29%) moderate- income tracts, 52 (47%) middle-income tracts, and 26 (23%) upper-income tracts.

Updated 2010 census data shows 130 CTs with seven (5%) low-income tracts, 40 (31%) moderate-income tracts, 51 (39%) middle- income tracts, and 31 (24%) upper-income tracts. One (1%) tract does not have an income designation.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit (LTD) Ratio

CNB's lending levels and LTD ratio are reasonable given the bank's size, financial condition, and AA credit needs. As of December 2013, CNB's LTD ratio was 61%. The bank's quarterly average LTD ratio since the prior CRA examination was 59% and the same as the average LTD of similarly situated banks. The average LTD ratio of similarly situated banks ranged between 34% and 80%. Similarly situated banks are those banks of comparable asset size operating in the same geographies.

CNB also originates and sells mortgage loans that are not reflected in the LTD ratio. In 2013, the bank originated and sold \$24,245,326 in mortgage loans.

### Lending in Assessment Area (AA)

A substantial majority of loans by number and dollar volume are originated within the bank's combined AAs. Of loans originated from January 1, 2010 to December 31, 2012, approximately 94% percent by number and 89% percent by dollar volume were made to borrowers within the bank's AAs. Table 1 shows loans originated inside the AAs by number and dollar volume.

<b>Table 1 - Lending in Combined Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	302	93%	21	7%	323	\$44,658	93%	\$3,266	7%	\$47,924
Home Improvement	6	100%	0	0%	6	\$292	100%	\$0	0%	\$292
Refinancing	239	96%	11	4%	250	\$47,813	93%	\$3,366	7%	\$51,179
Commercial	68	92%	6	8%	74	\$32,255	78%	\$9,359	22%	\$41,614
<b>Totals</b>	<b>615</b>	<b>94%</b>	<b>38</b>	<b>6%</b>	<b>653</b>	<b>\$125,018</b>	<b>89%</b>	<b>\$15,991</b>	<b>11%</b>	<b>\$141,009</b>

Source: 2010-2012 HMDA data and 2011-2014 business loan sample.

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

The bank's overall pattern of residential lending to individuals of different income levels is reasonable although we noted poor penetration in the Pueblo AA. Our conclusion on residential lending was heavily weighted towards the Fremont AA given the CNB's residential lending focus is strongest in Fremont County. CNB's lending to businesses of different sizes shows reasonable penetration in all AAs.

**Fremont County AA**

**Residential Real Estate Loans**

CNB’s residential lending pattern shows excellent penetration of LMI borrowers in this AA. Table 2 compares the bank’s 243 residential real estate loans originated in 2010 and 2011 to the 2000 census data. CNB originated 59% of its home purchase loans to LMI borrowers, significantly exceeding area demographics that show 42% of families are designated as LMI. Additionally, CNB originated 33% of its home refinance loans to LMI borrowers. Home refinance lending to moderate income borrowers (30%) significantly exceeded the demographic comparator (20%).

<b>Table 2 - Borrower Distribution of 2010-2011 Residential Real Estate Loans in Fremont County</b>								
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	21.1	25.0	20.8	34.4	25.1	15.0	32.9	20.6
Home Refinance	21.1	3.6	20.8	30.1	25.1	25.3	32.9	32.5

Source: 2000 U.S. Census Data; 2010-2011 HMDA

Table 2.1 compares 148 residential real estate loans originated in 2012 to updated 2010 census data. CNB originated 48% of its home purchase loans to LMI borrowers, which compares reasonably to area demographics showing that 50% of families are designated as LMI. Additionally, CNB originated 32% of its home refinance loans to LMI borrowers.

<b>Table 2.1 - Borrower Distribution of 2012 Residential Real Estate Loans in Fremont County</b>								
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	24.1	13.3	26.2	34.9	19.4	25.3	30.3	26.5
Home Refinance	24.1	12.3	26.2	20.0	19.4	24.6	30.3	35.4

Source: 2010 U.S. Census Data; 2012 HMDA

**Business Loans**

CNB’s overall penetration of LMI borrowers for business loans is reasonable. Given the small sample of 2011 business loans originated in this AA (Table 3), we weighted our conclusion more heavily on the lending pattern displayed in Table 3.1.

Table 3 compares six business loans totaling \$4.2 million originated in 2011 to 2000 census data. Dollar volume numbers are distorted by a large \$3 million loan to a large business (revenues greater than \$1MM.) By number of loans, CNB originated 50% to small businesses (revenues less than \$1 million) and demographic data shows that 73% of the businesses in the AA have revenues less than \$1 million.

<b>Table 3 - Borrower Distribution of 2011 Loans to Businesses in Fremont County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	73.3	1.9	24.8	100%
% of Bank Loans in AA by #	50	50	0	100%
% of Bank Loans in AA by \$	12	88	0	100%

Source: 2011 Loan sample; 2000 U.S. Census Data.

Table 3.1 compares 14 business loans (\$3.9 million) originated in 2012 through February 2014 to 2010 census data. Loan sizes ranged from \$67 thousand to \$744 thousand. The bank originated 86% by number of loans to small businesses (revenues less than \$1 million) and demographic data shows that 76% of the businesses in the AA have revenues less than \$1 million.

<b>Table 3.1 - Borrower Distribution of 2012-2014 Loans to Businesses in Fremont County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	76.2	2.4	21.3	100%
% of Bank Loans in AA by #	86	14	0	100%
% of Bank Loans in AA by \$	88	12	0	100%

Source: 2012-2014 Loan sample; 2010 U.S. Census Data.

**Pueblo County MSACNB**'s residential lending pattern in this AA shows poor penetration in lending to LMI borrowers. Mitigating factors include the high level of competition in the AA coupled with the bank's commercial real estate lending focus. In addition, the bank does not have a secondary market mortgage lender located in this AA.

Table 4 compares the bank's 57 residential real estate loans originated in 2010 and 2011 to the 2000 census data. CNB's lending performance to LMI borrowers is significantly below demographic data. Approximately 20% of families in the AA are designated low- income and CNB originated only 13.3% of its home purchase loans to low income borrowers. CNB's performance to moderate- income borrowers is also significantly below demographic data. The bank only originated 6.7% of their home purchase loans and 14.8% of their refinance loans to moderate- income borrowers compared to 18.3% of families designated as moderate income in the AA.

<b>Table 4 - Borrower Distribution of 2010-2011 Residential Real Estate Loans in Pueblo County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	20.2	13.3	18.3	6.7	21.8	20.0	39.7	40.0
Home Refinance	20.2	0.0	18.3	14.8	21.8	25.9	39.7	37.0

Source: 2000 U.S. Census Data; 2010-2011 HMDA

Table 4.1 below compares the 52 residential real estate loans originated in 2012 to updated 2010 census data. CNB's 2012 lending performance shows additional penetration to moderate-income



borrowers. The bank originated 18% of its home purchase loans to moderate- income borrowers, which is in line with the 17.8% demographic comparator. Home refinance lending to LMI borrowers remains significantly below area demographics.

<b>Table 4.1 - Borrower Distribution of 2012 Residential Real Estate Loans in Pueblo County</b>								
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	21.6	0.0	17.8	18.2	19.7	27.3	40.9	45.5
Home Refinance	21.6	4.9	17.8	9.8	19.7	22.0	40.9	51.2

Source: 2010 U.S. Census Data; 2012 HMDA

**Business Loans**

CNB’s overall penetration of LMI borrowers for business loans is reasonable. Table 5 compares 20 business loans (\$9.8 million) originated from 2012 through February 2014 to 2010 census data. The bank originated 70% by number of loans to small businesses (revenues less than \$1 million) and demographic data shows that 74% of the businesses in the AA have revenues less than \$1 million. We weighted our conclusion towards the number of loans originated rather than dollar amount of originations. The bank’s lending pattern by dollar is distorted due to four large loans (\$5.8 million) representing 60% of total dollars originated.

<b>Table 5 - Borrower Distribution of Loans to Businesses in Pueblo County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	74.2	2.9	22.9	100%
% of Bank Loans in AA by #	70	30	0	100%
% of Bank Loans in AA by \$	55	45	0	100%

Source: 2012-2014 Loan sample; 2010 Census Data.

**El Paso County MSA**

**Residential Real Estate Loans**

CNB’s residential lending pattern shows reasonable penetration of LMI borrowers in this AA.

Table 6 compares the bank’s 28 residential real estate loans originated in 2010 and 2011 to the 2000 census data. Residential lending performance is excellent with CNB originating 61.6% of its home purchase loans to LMI borrowers compared to area demographics showing that 36% of families are designated as LMI. Additionally, CNB originated 33% of its home refinance loans to LMI borrowers.

<b>Table 6 - Borrower Distribution of 2010-2011 Residential Real Estate Loans in El Paso County</b>				
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	17.2	15.4	19.0	46.2	24.9	0.0	39.0	23.1
Home Refinance	17.2	6.7	19.0	26.7	24.9	0.0	39.0	6.7

Source: 2000 U.S. Census data; 2010-2011 HMDA

Table 6.1 compares 13 residential real estate loans originated in 2012 to updated 2010 census data. While the bank did not originate any home purchase loans to LMI borrowers, it originated 38% of its refinance loans to LMI borrowers, which is comparable to area demographics that show 38% of the families in the AA are designated LMI. Given the small sample size, this is considered satisfactory.

Table 6.1 - Borrower Distribution of 2012 Residential Real Estate Loans in El Paso County								
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	20.1	0.0	18.3	0.0	21.6	20.0	40.1	20.0
Home Refinance	20.1	12.5	18.3	25.0	21.6	25.0	40.1	37.5

Source: 2010 U.S. Census Data; 2012 HMDA

### Business Loans

CNB’s overall penetration of LMI borrowers for business loans is reasonable in El Paso County. Table 7 compares 25 business loans originated from 2012 through February 2014 to 2010 census data. The bank originated 76% by number to small businesses (revenues less than \$1 million). This is in line with area demographics showing 74% of the businesses in the AA have revenues less than \$1 million.

Table 7 - Borrower Distribution of Loans to Businesses in El Paso County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	74.3	2.8	22.8	100%
% of Bank Loans in AA by #	76	24	0	100%
% of Bank Loans in AA by \$	73	27	0	100%

Source: 2012-2014 Loan sample; 2010 U.S. Census Data.

### Geographic Distribution of Loans

The bank’s overall pattern of lending to individuals and businesses located in LMI geographies in Colorado shows reasonable dispersion, although we noted weak dispersion of residential loans in the Pueblo AA. Mitigating factors include strong competition from financial institutions in the AA, CNB’s commercial real estate lending focus, and the absence of a mortgage originator located in this AA. CNB’s commercial real estate loans show reasonable geographic dispersion in all AAs.

#### Fremont County AA

We did not perform a geographic analysis on commercial or residential real estate loans originated prior to January 2012 because this AA did not include low or moderate- income CTs according to 2000 Census Data.

**Residential Real Estate Loans**

Table 8 compares 148 residential real estate loans originated in 2012 to 2010 census data. The bank originated 50% of its home purchase loans and 67% of its refinance loans in moderate-income geographies. CNB’s lending pattern reflects reasonable dispersion given that 53% of owner occupied housing is in moderate-income tracts.

Table 8 - Geographic Distribution of Residential Real Estate Loans in Fremont County 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	0.0	0.0	53.2	50.6	42.6	48.2	4.2	1.2
Home Refinance	0.0	0.0	53.2	67.7	42.6	20.0	4.2	12.3

Source: 2010 U.S. Census data; 2012 HMDA

**Business Loans**

CNB’s borrower dispersion of business loans in the Fremont County AA is reasonable. As shown in Table 9, the bank originated 14 business loans and 50% were to borrowers located in moderate-income tracts. Approximately 52% of businesses in this AA are located in moderate-income tracts.

Table 9 - Geographic Distribution of Loans to Businesses in Fremont County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.0	0	51.9	50	43.8	50	4.3	0

Source: 2010 U.S. Census data; 2012-2014 Loan sample

**Pueblo County MSA**

**Residential Real Estate Loans**

CNB’s geographic distribution of residential lending shows poor dispersion to LMI borrowers. Table 10 compares 57 home loans originated in 2010 and 2011 to 2000 census data. The AA did not have any tracts designated as low income in 2000. CNB’s lending in moderate-income CTs is significantly below area demographics for both home purchase and home refinance loans.

**Table 10 - Geographic Distribution of 2010-2011 Residential Real Estate Loans in Pueblo County AA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	0.0	0.0	24.2	13.3	46.8	56.7	29.0	30.0
Home Refinance	0.0	0.0	24.2	3.7	46.8	22.2	29.0	74.1

Source: 2000 U.S. Census data; 2010-2011 HMDA

Table 10.1 compares 52 residential loans originated from 2012 through February 2014 to updated 2010 census data. CNB’s lending in LMI census tracts meets or exceeds area demographics for home purchase loans. However, the bank’s origination of 41 home refinance loans was significantly below area demographics.

Table 10.1 - Geographic Distribution of 2012 Residential Real Estate Loans in Pueblo County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	4.9	9.1	19.0	18.2	36.9	9.1	39.3	63.6
Home Refinance	4.9	0.0	19.0	4.9	36.9	39.0	39.3	53.7

Source: 2010 U.S. Census Data; 2012 HMDA

**Business Loans**

CNB’s borrower dispersion of business loans in the Pueblo AA is reasonable. As shown in Table 11, the bank originated 30% of business loans to borrowers located in LMI census tracts. Approximately 32% of businesses are located in LMI census tracts.

Table 11 - Geographic Distribution of Loans to Businesses in Pueblo County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	5.5	5	26.8	25	30.3	30	37.2	40

Source: 2010 U. S Census Data; 2012-2014 Loan sample

**El Paso County MSA**

**Residential Real Estate Loans**

CNB’s lending pattern in El Paso county shows reasonable dispersion of lending to borrowers located in different geographies. This AA includes strong competition from mortgage brokers and financial institutions. In addition, the bank does not have a mortgage lender located in this AA. CNB’s lending focus has been on commercial real estate lending in this AA.

Table 12 compares 28 home loans originated in 2010 and 2011 to 2000 census data. CNB originated 23% by number of its home purchase loans and 13% by number of its refinance loans in moderate- income areas. This is comparable to area demographics showing that approximately 20% of the owner occupied housing are in moderate- income geographies. As the table shows, there is limited opportunity to lend in low income tracts.

<b>Table 12 - Geographic Distribution of 2010-2011 Residential Real Estate Loans in El Paso County</b>								
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	0.1	0.0	19.6	23.1	49.5	53.9	30.9	23.1
Home Refinance	0.1	0.0	19.6	13.3	49.5	60.0	30.9	26.7

Source: 2000 U.S. Census data; 2010-2011 HMDA

Table 12.1 compares 14 residential loans originated in 2012 to updated 2010 census data. CNB’s lending in LMI census tracts meets or exceeds area demographics for home purchase and home refinance loans. Four of the 14 residential loans originated, or 28% by number, were located in LMI tracts. Demographic data shows that 24% of owner occupied housing is in LMI tracts.

<b>Table 12.1 - Geographic Distribution of 2012 Residential Real Estate Loans in El Paso County</b>								
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	2.5	40.0	21.9	20.0	43.0	20.0	32.6	20.0
Home Refinance	2.5	0.0	21.9	12.5	43.0	62.5	32.6	25.0

Source: 2010 U.S. Census data; 2012 HMDA

**Business Loans**

CNB’s borrower dispersion of 25 business loans in the El Paso AA is excellent. As shown in Table 13, the bank originated 40% of its business loans to borrowers located in LMI census tracts. This compares favorably to 30% of businesses that are in LMI tracts. The bank originated 15% of its business loans in low-income areas, which compares favorably to 6.7% of businesses in low income tracts.

**Table 13 - Geographic Distribution of Loans to Businesses in El Paso County**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	6.7	15	23.7	25	35.6	35	33.9	25

Source: 2010 Census Data; 2012-2014 Loan sample

### Responses to Complaints

We reviewed the bank’s public file for complaints, and looked for complaints reported to the OCC through the Customer Assistance Group. There were no complaints received by the bank or the OCC relating to the bank’s CRA performance during the evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We performed a fair lending examination in July 2013. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.