



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 9, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pikes Peak National Bank
Charter Number 15058**

**2401 West Colorado Avenue
Colorado Springs, CO 80934-6669**

**Comptroller of the Currency
Denver Field Office
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 majority of loans by number and dollar volume are originated within the bank's assessment area (AA).
- The bank's pattern of lending to low- and moderate-income borrowers and small businesses reasonably reflects area demographics.
- The geographic distribution of loans within the defined AA is good.

Pikes Peak NB is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

Pikes Peak NB (PPNB) is an \$83 million institution located in central Colorado. PPNB is wholly owned by Pikes Peak National Company, a one-bank holding company located in Colorado Springs, Colorado. The bank comprises substantially all of the holding company assets.

The bank operates three full-service facilities. Two branches are in Colorado Springs. One branch is in Fountain, Colorado, south of Colorado Springs. Each location has teller drive-up operations. All locations have ATM's, none of which are deposit taking. The bank faces strong competition from numerous community and regional banks operating in Colorado Springs.

PPNB offers a variety of credit products. The primary loan products by dollar volume are commercial real estate secured loans at 53% of total loans and loans secured by 1-4 family residences at 9%. Our rating of the bank's CRA performance is based on an analysis of these two products. Other loans offered include commercial and industrial (13%), construction and development (6%), multi-family (2%), and other consumer (17%). Net loans represent 46% of 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 a representative of Empire Title Company. The contact identified the primary credit needs of the community as affordable housing, small business, and basic financial education. Our contact stated that the economy in the Colorado Springs area remains depressed but he expects improvement due to the returning of deployed military and local businesses starting to hire back previously laid-off employees.

Pikes Peak National Bank received a "Satisfactory" rating at the last CRA examination dated March 1, 2000.

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

DESCRIPTION OF COLORADO SPRINGS MSA

Management has designated the entire Colorado Springs MSA as its assessment areas (AA). Based on 1990 census data, this AA is comprised of 84 census tracts, of which two (2%) are designated as low-income, 27 (32%) as moderate-income, 37 (44%) as middle-income, and 18 (22%) as upper-income. The Department of Housing and Urban Development (HUD) 2002 MSA updated median-family income for this MSA is \$56,800. Based on 1990 US Census data, there are 104,914 families residing within the MSA of which 38% are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the MSA median-family income.

The two largest employers in the area are the military and Intel. Walter Drake was a large employer but closed recently laying off approximately 600 people. Economic conditions are depressed but show signs of improvement. Indications of improvement include the returning deployed military forces, rehiring at Intel, and declining foreclosure numbers. Our community contact believes the housing needs of the community are being met through various programs including programs offering little or no down payment. He also stated he knew of no businesses that could not access funds if needed. Further, he stated that financial education is needed since many people find themselves overextended, evidenced by the state of Colorado having one of the highest bankruptcy percentages in the nation of approximately 27%. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

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

CONCLUSION ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

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

The bank's average quarterly loan-to-deposit ratio since the previous CRA exam is 51%. The loan-to-deposit ratio of similarly situated banks over the same time period ranged between 21% and 95%. This bank ranked third among six 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 refinance loans reported under the Home Mortgage Disclosure Act (HMDA) in 2001 and 2002, and 20 loans secured by commercial real estate. Of the 40 loans reviewed, 90 percent by number and 88 percent by dollar volume were originated within the AA.

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.

The bank's pattern of home refinance loan originations to low- and moderate-income borrowers is excellent. Within the Colorado Springs metropolitan statistical area (MSA), area demographics indicate low- and moderate-income families comprise 18% and 20% of total families, respectively. By number, 29% of sampled loans were originated to low-income borrowers and 35% to moderate-income borrowers.

The distribution of commercial loans secured by real estate originated in the Colorado Springs MSA indicates good performance in lending to businesses of different sizes. Of the 20 loans sampled, 75% by number and 89% by dollar volume were originated to small businesses. This reasonably compares to area demographics in which 94% of the businesses for which revenue information was available are small businesses.

Geographic Distribution

The geographic distribution of loans within the defined AA is good.

We sampled all home refinance loans originated within the AA. The bank's performance in relation to area demographics is excellent. The percentage of owner-occupied housing in low-, moderate-, middle- and upper-income geographies is 1%, 19%, 46%, and 34%, respectively. The distribution of home refinance loans within the same geographies is 0%, 35%, 30%, and 35%.

We sampled 20 commercial real estate loans. Low-income geographies in the MSA contained 6% of all small businesses. Moderate-income geographies in the MSA contained 24%. Small business loans originated in low- and moderate-income geographies totaled 0% and 65%, respectively.

Responses to Complaints

PPNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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