PUBLIC DISCLOSURE

December 2, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CENTENNIAL BANK
RSSD# 154257

13700 EAST ARAPAHOE ROAD
CENTENNIAL, COLORADO 80112

Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198

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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INSTITUTION'S CRA RATING: ***This institution is rated: Satisfactory***

Centennial Bank (the bank) has a satisfactory record of helping to meet the credit needs of its entire assessment area (AA), including low- and moderate-income (LMI) families and neighborhoods, consistent with its resources, operating philosophy, and the credit needs of the communities it serves. For its size, financial capacity, and the economic conditions within its AA, the bank's overall efforts to meet its obligations under the Community Reinvestment Act (CRA) are considered satisfactory. Major factors supporting the institution's rating are:

- The bank's average net loan-to-deposit (NLTD) ratio reflects a reasonable effort to extend credit.

- A majority of the bank's loans are originated within the bank's designated AAs.

- The geographic distribution of residential real estate and small business loans reflects a satisfactory penetration of lending throughout the bank's AAs.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's Interagency Small Institution Examination Procedures. The small institution examination procedures were utilized despite the bank's asset size of $440 million as of September 30, 2013. The process for applying the intermediate small bank (ISB) procedures requires the institution to exceed the small bank asset threshold for two consecutive years, which had not occurred as of December 2, 2013. It is anticipated that the bank's next CRA evaluation will be conducted under the ISB procedures.

Four of the five criteria utilized in the evaluation of a small bank's lending performance were relevant to this review and are listed below:

- NLTD Ratio
- Lending Inside the AA
- Geographic Distribution of Loans
- Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

The bank's responsiveness to complaints under the CRA, the fifth criterion used to assess small bank performance, was not evaluated as the bank has not received any complaints regarding its CRA performance.

The bank's primary lending focus is commercial lending, which accounts for over 70 percent of the loan portfolio as of September 30, 2013. Residential real estate loans are the second largest loan product at 28.5 percent of the loan portfolio. Because of these concentrations, small business loans and loans reportable under the Home Mortgage Disclosure Act (HMDA) were selected for review. A statistical sample of small business loans originated between October 1, 2012 and September 30, 2013, was selected for review. Additionally, all HMDA-reported loans originated between January 1, 2012 and December 31, 2012, which includes home purchase, home improvement, home mortgage refinance, and multifamily residential real estate loans, were included in the review. HMDA loans from 2011 were not analyzed due to an insufficient number of originations to conduct a meaningful analysis.

In August 2012, the bank acquired Millennium Bank (MB), including its six locations and related assets totaling approximately $252MM. The 2012 HMDA loan universe for this examination included loans originated by the bank in addition to loans acquired in the merger with MB. From January 1, 2012 to August 12, 2012, MB originated 34 HMDA-related loans. Of this total, 30 were originated in the Mountain Region AA, which is described below. The remaining 24 loans in the universe were originated throughout 2012 by the bank, both pre- and post-acquisition.

For evaluative purposes, the bank's performance for HMDA-related loans was compared to local demographic data based on 2010 Census data, while small business loans were compared to 2012 Dun & Bradstreet (D&B) demographic data. In addition, the bank's lending was compared to the 2012 aggregate peer data reported by all HMDA and CRA reporters with loan originations in the bank's AAs.

Under the CRA, a financial institution's performance is evaluated within the context of each delineated AA in which it operates. The bank has delineated three separate AAs; the Denver-Broomfield-Aurora Metropolitan Statistical Area (MSA), the Mountain Region, and the Boulder MSA. The Denver MSA, which will be referred to as the Denver MSA AA throughout the remainder of the report, includes Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson Counties. The Mountain Region AA includes Routt, Summit, Eagle, and Grand Counties. The Boulder MSA is made up solely of Boulder County. Full-scope reviews were conducted on the Denver MSA AA and the Mountain Region AA, as the majority of the bank's lending and deposit activity occurs within these two regions. Over 47 percent of the sampled loans were originated in the Mountain Region AA while approximately 44 percent were originated in the Denver MSA AA. A limited scope review was conducted of the Boulder MSA AA, as this AA contains only 1 branch location, which originated only 2 HMDA and 9 small business loans since the branch was opened in February, 2012. This accounts for only 8.9 percent of the total loans originated by the bank.

During the examination, interviews with four community contacts familiar with the bank's AAs were conducted to ascertain community credit needs, the responsiveness of area banks to those credit needs, the availability of community development opportunities, and local economic conditions. Additional community contacts recently conducted by the Federal Reserve Bank of Kansas City (Reserve Bank) were referenced.

DESCRIPTION OF INSTITUTION

The bank is a $440 million financial institution that is a wholly-owned subsidiary of CIC Bancshares, Inc. According to the September 30, 2013, Consolidated Report of Condition and Income, the bank's total loans were $336 million while total deposits were $388 million. The bank has undergone significant change since its last CRA evaluation on October 13, 2009. At that time, the bank had total assets of approximately $46 million and operated out of a single location in Centennial, Colorado. The bank was very specialized, originating a limited number of commercial loans with a deposit base comprised primarily of title company escrow accounts. Since that time, the bank has been acquired by a new leadership group, CIC Bancshares, Inc., with specific intentions to dramatically grow the bank's asset base and presence in the Colorado banking market. The bank also acquired MB in August 2012. This acquisition resulted in additional assets of approximately $252 million and 5 locations located primarily within mountain communities on the Western Slope of Colorado, as well as a location in the Denver MSA in Englewood, Colorado. The resulting bank is primarily focused on commercial lending and client-based relationship banking.

The bank is headquartered in Centennial, Colorado, which is located between downtown Denver and the Denver Technological Center. The bank's presence in the mountain region of north-central Colorado includes two branches in Vail Valley, in addition to branches in Steamboat Springs, Fraser, and Breckenridge. To further serve the metropolitan region, the bank has branches in Boulder, Englewood, and downtown Denver. All nine bank locations are full-service facilities.

The bank offers a wide variety of commercial and retail products with a primary emphasis on commercial lending to small to mid-sized businesses and private banking products to professionals and their families. The bank offers in-house residential real estate loans, primarily to owner occupants, investors, and builders. A summary of the bank's lending portfolio is contained in Table 1 on page 5. In addition to these loan products, the bank acts as a broker of secondary market residential real estate loans, working with a number of mortgage companies. The use of the secondary market lending provides loan opportunities for customers that might not fit the banks direct lending products. To meet the overall needs of its customers, the bank offers online banking, an array of checking and savings accounts, in addition to more advanced products such as credit cards and remote deposit capture. To further serve its customers, the bank has eight cash-only automated teller machines located in the communities where it has physical locations.

TABLE 1 CENTENNIAL BANK'S LOAN PORTFOLIO SEPTEMBER 30, 2013		
Loan Type	**Amount $(000)**	**Percent of Total**
Commercial	237,687	70.7
Residential Real Estate	95,850	28.5
Consumer	1,823	.5
Agricultural	658	.2
Other	388	.1
Gross Loans	**336,406**	**100.0**
(Total percentages shown may vary by .1 percent due to automated rounding differences)		

The bank operates in a highly competitive environment with national and regionally-based financial institutions, community banks, credit unions, and savings and loans institutions. There are also numerous mortgage and finance companies competing for borrowers in each AA.

The bank does not have a dominant market share presence in any of its markets. Table 2 below details the bank's market share and rank within each AA. The bank's presence in each AA will be discussed in detail in subsequent portions of this report.

TABLE 2 CENTENNIAL BANK'S DEPOSIT MARKET SHARE BY AA							
Assessment Area	**# of Offices**	**Deposits**					
		$ (000)	**% of Total Bank Deposits**	**% of Market Share**	**Market Position**	**% of Sampled Loans**	**Level of Review**
Denver MSA	**3**	191,671	52.7	0.30	27th of 70	43.9	Full
Mountain Region	5	163,833	45.0	5.29	5th of 17	47.2	Full
Boulder MSA	1	8,355	2.3	0.11	28th of 33	8.9	Limited
Totals	**9**	**363,859**	**100.0**	**5.70**		**100.0**	

Based on the bank's asset size, product offerings, and financial condition, it has the ability to meet the credit needs of its AAs. No financial or legal impediments exist that would negatively impact the institution's ability to meet the credit needs of its AAs. The bank received a satisfactory rating at the previous CRA evaluation performed by the Reserve Bank on October 13, 2009.

DESCRIPTION OF ASSESSMENT AREA

The bank's defined AA has significantly changed since the last examination when its AA consisted of Arapahoe and Douglas Counties and 23 tracts in the southern portion of Denver

County. Currently, through branching and acquisition, the bank's footprint and network of branches has grown and its AA now consists of three distinct regions: the Denver MSA, which includes all tracts within Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson Counties, the Mountain Region, a nonmetropolitan AA which includes all tracts in Eagle, Grand, Routt, and Summit Counties, and the Boulder MSA AA, which includes all tracts in Boulder County.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall performance is considered reasonable based on an assessment of its average NLTD ratio, as well as its level of lending within its AA to LMI geographies. However, the bank's lending performance specifically related to borrowers of different income levels and businesses with different revenue sizes was determined to be poor. The rating and conclusions were based on the performance in each assessment area with the greatest weight being given to the Denver MSA AA. Each assessment area contains its own evaluation of performance. Data used for this evaluation included the bank's performance and aggregate data, and area demographic information.

LENDING TEST

The bank's overall performance in the lending test is considered reasonable. The performance evaluation showed that the bank's NLTD ratio reflected a reasonable effort to extend credit, and has been increasing since the bank was acquired by a new ownership group. The analysis also indicated that a majority of the loans were originated inside the bank's AAs. The overall geographic distribution of lending based on income level of census tracts was reasonable throughout all three AAs. However, the bank's distribution of lending based on borrower income level and the revenue size of business was considered poor, as these distributions were below demographic figures throughout all three AAs. An in-depth discussion of performance in each AA is contained in subsequent sections of this report. Table 3, on page 7, summarizes the product types that were reviewed for this evaluation.

TABLE 3 SUMMARY OF CENTENNIAL BANK'S LENDING ACTIVITY				
Loan Type	**#**	**$(000)**	**#%**	**$%**
Home Purchase	32	8,881	55.2	51.4
Refinance	24	7,394	41.4	42.8
Home Improvement	0	0	0.0	0.0
Multifamily	2	999	3.4	5.8
Total HMDA - Related	**58**	**17,274**	**41.4**	**49.4**
Total Small Business	82	17,720	58.6	50.6
Total All Loans	**140**	**34,994**	**100.0**	**100.0**

Note: HMDA Loans categories include the whole universe of loans originated, while the small business category contains a random sample of the bank's loans during the review period.
(Note: Total percentages shown may vary by .01 percent due to automated rounding differences)

Net Loan-to-Deposit Ratio:

The bank's NLTD ratio, which is considered reasonable, has been significantly influenced by the rapid growth the bank has undergone over the previous four years. The bank's average NLTD ratio was compared to four other similarly-situated banks and to the bank's state and national peer groups. For comparison purposes, four financial institutions were selected that reflected similar lending concentrations, branches in and around the bank's AAs, and a physical presence in metropolitan and nonmetropolitan regions of the state. The comparative banks had assets that ranged from approximately $250 million to $670 million. The average NLTD ratio for this institution as well as the peer banks was calculated by adding the quarterly NLTD ratios and then dividing by the most recent 16-quarters available since the bank's last CRA examination.

The bank's NLTD ratio over the most recent 16-quarters ending September 30, 2013, averaged 53 percent. This was lower than the average NLTD for its competitor banks which had NLTD ratios that ranged from 54 percent to 96 percent over the same time frame. The bank's average NLTD ratio was below the national peer level of 72 percent and the Colorado statewide peer level of 69 percent. While the bank's ratio of lending is lower than peer, this is partly attributed to the restrictions placed on the bank's lending levels prior to the acquisition by CIC. During this time period, the bank held significant short term escrow deposits, and as such, was not allowed to lend on these deposits. It is anticipated that the NLTD ratio will continue to increase as the bank transitions into its larger size and markets.

A more representative NLTD ratio for the bank is the most recent eight-quarter average ending September 30, 2013. This time period accounts for the strategic changes that have been implemented by the new leadership group. Over these eight quarters, the bank has a NLTD ratio of 75 percent, which compares favorably to its competitor banks which had an average NLTD ratio of 71.7 percent over that time frame. In addition, the bank exceeded the NLTD ratio of its state and national peer groups over this time frame. These groups had NLTD ratios of 62.5 percent and 69.2 percent, respectively. Finally, the most recent four quarters have seen the bank's NLTD range from 80 to 88 percent.

Assessment Area Concentration:

As demonstrated in Table 4 below, the bank originated a substantial majority of its HMDA-related and small business loans both by dollar and number in its delineated AAs. Only loans within the bank's AAs are considered for the remaining loan distribution tests discussed within this performance evaluation.

The bank's ability to lend within its AAs is important to note due to the economic challenges that are present within the respective AAs. Within the Denver MSA AA and Mountain Region AA, competition amongst financial institutions is strong as banks and non-bank lenders vie for lending opportunities. A wide range of businesses are present in these AAs, from national and international corporations to local, independent businesses. The diversification of industries in the AAs requires banks to identify lending opportunities and pursue them in the face of significant competition from other lenders.

It is important to note that from August 9, 2012 to August 9, 2013, the bank performed mortgage loan broker services on 108 residential real estate loans that were ultimately funded by secondary market investors. Of these loans, 57 were made to borrowers in the bank's Mountain Region AA and 48 were made to borrowers in the Denver MSA AA. While these loans are not reflected in the bank's lending totals, it is reflective of opportunities the bank is making to meet the lending needs of its AAs and its customers.

TABLE 4
LENDING INSIDE AND OUTSIDE THE BANK'S AAs

Bank Loans	Inside				Outside			
	#	$(000)	#%	$%	#	$(000)	#%	$%
Home Purchase	30	7,724	93.8	87.0	2	1,157	6.3	13.0
Home Refinance	18	5,658	75.0	76.5	6	1,736	25.0	23.5
Home Improvement	0	0	0	0	0	0	0.0	0.0
Multifamily	2	999	100.0	100.0	0	0	0.0	0.0
Total HMDA Loans	**50**	**14,381**	**86.2**	**83.3**	**8**	**2,893**	**13.8**	**16.7**
Total Business Loans	**73**	**14,532**	**89.0**	**82.0**	**9**	**3,188**	**11.0**	**18.0**
Total Loans	**123**	**28,913**	**87.9**	**82.6**	**17**	**6,081**	**12.1**	**17.4**

Geographic and Borrower Distribution:

A detailed analysis of the geographic distribution and borrower income distribution is provided with the analysis for each AA.

The geographic performance criterion evaluates the bank's distribution of loans among geographies of various income levels, with emphasis placed on lending in LMI geographies.

The bank's overall geographic distribution of residential real estate and small business loans reflects a reasonable penetration throughout all geographies of the bank's three AAs. Performance in each AA will be discussed in-depth below.

While the bank is demonstrating its ability to meet the lending needs of its customers, the borrower distribution of loans to LMI individuals and small businesses is considered poor. The borrower performance criterion evaluates the bank's distribution of lending to borrowers of different income levels, particularly LMI borrowers, and lending to businesses of different revenue sizes, primarily those with gross annual revenues of $1,000,000 or less. Given the bank's low level of originations to LMI borrowers and small businesses and its increased capacity over the past two years, there are opportunities for the bank to improve in this performance test.

Fair Lending or Other Illegal Credit Practices Review

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No apparent signs of discrimination were identified, and the bank was not engaged in any illegal credit practices inconsistent with helping to meet community credit needs.

DENVER-BROOMFIELD-AURORA METROPOLITAN STATISTICAL AREA ASSESSMENT AREA
(Full Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DENVER MSA AA

The bank's presence in the Denver MSA AA consists of its headquarters and two branch offices. The branches are located in downtown Denver and the city of Englewood. The bank's three locations in this AA are located in close proximity to the Denver Technological Center, the downtown Denver business district, and in reasonable proximity to energy and aerospace industries located in Jefferson County. The Denver MSA AA represents the bank's largest market presence by dollar amount of deposits of its three delineated AAs. According to the Federal Deposit Insurance Corporation (FDIC) Summary of Deposits as of June 30, 2013, the AA contains 52.7 percent of total bank deposits. The bank had a deposit market share within the MSA of .3 percent, making it the 27th largest of 70 FDIC-insured financial institutions in the MSA. Given the bank's asset size in this AA and the limited locations, it faces significant competition for deposit and lending opportunities within the MSA from national, regional, and community-based financial institutions.

DESCRIPTION OF THE DENVER MSA AA

The bank's Denver MSA AA includes all census tracts within the six most populous and urbanized counties of the ten-county Denver MSA AA. Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson Counties surround the city of Denver. The bank did not include Clear Creek, Elbert, Gilpin, or Park counties in its delineated Denver MSA AA. These counties are rural and remote in nature and the bank's network of branches does not penetrate into these counties, making it prohibitive for consumers in these counties to utilize the bank for their primary banking needs.

Economic Conditions

Economic conditions in the Denver MSA AA have been improving since the beginning of 2013. The six counties that make up the AA are economically diverse and not reliant on any one industry. According to the Metropolitan Denver Economic Profile, the area has eight key industry clusters which include aerospace, aviation, bioscience, broadcasting and telecommunications, energy, financial services, healthcare and wellness, and information technology software.

The area has seen solid gains in business and professional services, as well as healthcare. These industries combine nearly 75 percent of the jobs gained since the peak of unemployment in 2010. Although the economy has improved, unemployment rates continue to exceed pre-recession levels. The rate in the Denver MSA has decreased to 7.9 percent in 2012, from a high of 9.3 percent in 2010.

Discussions with a community contact in Jefferson County revealed that aggressive growth plans are in place for this portion of the AA. An area economic development group has partnered with local government and businesses in an effort to create 7,500 new primary jobs over the next five years. The group is working with established businesses to determine what resources they need to expand their operations to meet this goal. In addition, this group is looking for ways to assist start-up businesses in the county. This contact stated that the acquisition of start-up capital is a major challenge faced by many entrepreneurs in the region. Due to heightened underwriting requirements, funding through traditional banking avenues is often unattainable. In order to meet their financing needs, many start-up businesses in the energy, aerospace, and bioscience industries seek financing and capital from non-traditional sources such as economic development corporations or other state and privately funded sources.

Government and local school systems are the MSA's largest employers, followed by Lockheed Martin, HealthOne, SCL Health System, Centura Health, CenturyLink, Kaiser Permanente, Comcast Corporation, and United Airlines. The National Renewable Energy Laboratory in Lakewood/Golden is another significant employer that has spawned numerous start-up businesses in the research and development sectors of bioscience and renewable energy.

An industry that has established a foothold in the western portion of the AA is the outdoor recreation/apparel industry. Numerous manufacturers such as Optic Nerve, Yeti Bicycles, Spyderco, and Outdoor Edge call Golden, Colorado home, which fits with the active lifestyle enjoyed by many Coloradoans. Another industry that fits with the active Colorado lifestyle and high quality of life enjoyed by residents of the state is the craft beer brewing industry. In Denver alone, there are 30 craft brewers and in the western portion of the AA, Golden, Colorado, there are four craft brewers in addition to MolsonCoors, which employs over 1,300 employees at its office and brewery. This proliferation of brewers in Denver corresponds to the growth seen in the lower downtown district of Denver. "LoDo," as this district is known, continues to grow with numerous condominium, retail establishments, and restaurants being built. LoDo, River North, and the Highlands district are within close proximity of work opportunities in downtown Denver and provide housing opportunities for young professionals seeking to live and work in the city.

Income Characteristics

As of the 2010 Census, the Median Family Income (MFI) of the six urban counties within the Denver MSA AA equaled $75,005, which exceeded the statewide MFI of $70,046. The breakdown of low-, moderate-, middle-, and upper-income families per 2010 Census data for the bank's delineated Denver MSA AA closely mirrored the statewide breakdown. The percentage of families below the poverty rate within the delineated Denver MSA AA at 8.7 percent was similar to the total state figure of 8.6 percent.

Housing Characteristics

The banks delineated Denver MSA AA has a higher percentage of owner-occupied and rental units than statewide figures. The higher rate of rental units includes a significantly higher number of multifamily units (five or more units) within the AA. Multifamily units represented 26.6 percent of the area housing stock, compared to 20.3 percent statewide. Denver County has the highest concentration of multifamily units, at 38.8 percent, while Douglas County has the lowest, at 12.9 percent. Other than condo units, multifamily units have lower housing credit demand than owner-occupied and single-family units. According to a community contact, construction for multifamily units has been strong, but has generally been in higher-end units. In addition, the contact stated that the rental market was tight and that it is very difficult to get more affordable units built. The delineated AAs 2010 vacancy rate of 7.2 percent was substantially lower than the 11.8 percent statewide vacancy rate. The higher statewide vacancy rate is primarily attributed to the high number of second/vacation homes in the mountain areas of the state, which are included in the calculation of the vacancy rate.

Overall, the Colorado housing market has a low housing affordability ratio[1]. The statewide affordability ratio equaled 23.9 percent as of the 2010 Census. The bank's Denver MSA AA, with a ratio of 24.4 percent, closely mirrored the statewide rate, while Denver County was at 18.9 percent. Denver County's affordability ratio is brought down by the county's low median household income. Table 5, on page 13, details income, housing, business, and census tract characteristics for the Denver MSA AA based on 2006 - 2010 American Community Survey (ASC) data and D&B business data.

[1] The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

TABLE 5 DENVER METROPOLITAN STATISTICAL AREA AA DEMOGRAPHICS								
Income Categories	**Tract Distribution**		**Families By Tract Income**		**Families < Poverty Level as a % of Families by Tract**		**Families By Family Income**	
	#	%	#	%	#	%	#	%
Low-Income	69	11.4	59,407	9.8	17,302	29.1	133,705	22.1
Moderate-Income	137	22.6	132,205	21.8	19,977	15.1	103,547	17.1
Middle-Income	197	32.6	196,712	32.5	10,576	5.4	122,139	20.2
Upper-Income	195	32.2	216,904	35.8	4,979	2.3	245,837	40.6
Unknown-Income	7	1.2	0	0.0	0	0.0	0	0.0
Total AA	**605**	**100.0**	**605,228**	**100.0**	**52,834**	**8.7**	**605,228**	**100.0**
	Housing Units By Tract	**Housing Type By Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	119,985	41,061	6.5	34.2	65,821	54.9	13,103	10.9
Moderate-Income	250,967	122,314	19.4	48.7	107,811	43.0	20,842	8.3
Middle-Income	348,604	222,183	35.2	63.7	103,142	29.6	23,279	6.7
Upper-Income	311,613	246,018	39.0	78.9	48,550	15.6	17,045	5.5
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	**1,031,169**	**631,576**	**100.0**	**61.2**	**325,324**	**31.5**	**74,269**	**7.2**
	Total Businesses by Tract		**Businesses By Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-Income	16,264	8.6	14,155	8.2	1,324	13.4	785	12.3
Moderate-Income	38,354	20.4	34,062	19.8	2,811	28.5	1,481	23.2
Middle-Income	58,092	30.9	53,699	31.3	2,476	25.1	1,917	30.1
Upper-Income	74,862	39.8	69,576	40.5	3,120	31.6	2,166	34.0
Unknown-Income	498	0.3	325	0.2	148	1.5	25	0.4
Total AA	**188,070**	**100.0**	**171,817**	**100.0**	**9,879**	**100.0**	**6,374**	**100.0**
Percent of Total Businesses:				**91.4**		**5.3**		**3.4**

(NOTE: Total percentages shown may vary by .01 percent due to automated rounding differences.)
Based on 2010 Census tract boundaries, 2010 American Community Service data, and 2012 Dunn &Bradstreet data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DENVER MSA AA

Geographic Distribution

HMDA Loans

The bank had a reasonable distribution of home mortgage loans across different income tract levels in the Denver MSA AA. Economic factors and housing conditions continued to affect loan demand in 2012, especially in LMI tracts. As shown in Table 6, on page 15, the bank's percentage of HMDA loans originated in low-income tracts exceeded the aggregate peer figure by 10.3 percent and the area demographics by 5.9 percent, representing an excellent penetration into low-income tracts. The bank's penetration into moderate-income tracts was slightly below aggregate peer figures and 6.9 percent lower than area demographics, which is an adequate performance. Taken together, the bank is exceeding its aggregate peer by 6.4 percent in lending in LMI tracts and on par with area demographics. This results in a reasonable performance by the bank and indicates its ability to reach borrowers located throughout its AA.

TABLE 6
DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY
DENVER MSA AA

Census Tract Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Owner Occupied Units[2]
	#	$(000)	# %	$ %	# %	$ %	
Total Home Mortgage Loans							
Low	2	524	12.5	8.9	4.2	3.4	6.5
Moderate	2	490	12.5	8.3	14.4	11.0	19.4
Middle	3	980	18.8	16.6	32.3	27.4	35.2
Upper	9	3,912	56.3	66.2	49.2	58.2	39.0
Home Purchase Loans							
Low	1	371	9.1	9.4	5.2	3.2	6.5
Moderate	1	144	9.1	3.7	17.0	12.1	19.4
Middle	1	105	9.1	2.7	33.6	28.9	35.2
Upper	8	3,312	72.7	84.2	44.1	55.8	39.0
Refinanced Loans							
Low	1	153	33.3	15.7	3.6	2.4	6.5
Moderate	0	0	0.0	0.0	13.1	9.3	19.4
Middle	1	222	33.3	22.8	31.7	26.8	35.2
Upper	1	600	33.3	61.5	51.6	61.5	39.0
Home Improvement Loans							
Low	0	0	0.0	0.0	4.0	1.9	6.5
Moderate	0	0	0.0	0.0	15.9	9.7	19.4
Middle	0	0	0.0	0.0	31.0	23.9	35.2
Upper	0	0	0.0	0.0	49.2	64.6	39.0
Multifamily Loans							**% of Multi-Family Units[2]**
Low	0	0	0.0	0.0	21.4	22.9	20.7
Moderate	1	346	50.0	34.6	29.3	32.8	32.1
Middle	1	653	50.0	65.4	42.0	27.8	32.6
Upper	0	0	0.0	0.0	7.4	16.5	14.6

[1] Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
[2] The percentage of owner-occupied housing and multi-family units by tract are based on 2010 Census tract boundaries and 2010 ACS Data.
(NOTE: Total percentages shown may vary by .01% due to automated rounding differences.)

Small Business Loans

As seen in Table 7, on page 16, the bank had an excellent distribution of small business loans into LMI census tracts in the Denver MSA AA. When evaluating the number of small business loans as a percentage of the bank's lending, the bank made 13.2 percent of its small business loans in low-income census tracts compared to the aggregate peer lending of 8.9 percent and area demographic figures of 8.6 percent. An even stronger performance was seen in the moderate-income census tracts, as the bank made over a third of its small business loans in these tracts. Aggregate peer performance lagged behind the bank by 14.2 percent and the bank exceeded area demographic data by 13.8 percent. The bank's commitment to small business lending regardless of location is reflected by this performance. Given the limited branch presence and strong competition in the Denver market, the level of lending to small businesses reflects favorably.

TABLE 7
DISTRIBUTION OF SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
DENVER MSA AA

Census Tract Income Level	Business Loans[1]				Aggregate CRA Data[2]		% of Businesses[3]
	#	$(000)	# %	$ %	# %	$ %	
Low	5	2,250	13.2	26.1	8.9	12.9	8.6
Moderate	13	2,798	34.2	32.4	20.2	25.3	20.4
Middle	7	1,818	18.4	21.1	27.9	23.9	30.9
Upper	13	1,767	34.2	20.5	40.7	35.9	39.8

1. CRA defines small businesses loans as loans in the amount of $1 million or less.
2 Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
3 The percentage of businesses in the AA is based on 2010 Census tract boundaries and 2012 D&B data.
(Note: Total percentages shown may vary by .01 percent due to automated rounding differences.)

Borrower Distribution

<u>HMDA Loans</u>

As seen in Table 8, on page 17, the bank did not make any HMDA-related loans to LMI borrowers in the Denver MSA AA and as such, its performance is considered poor for this test. Aggregate peer lenders performed poorly as well, as they were 14.7 percent below area demographics to low-income families and 0.2 percent below area demographics to moderate-income families. It is anticipated that this lower level of lending by the aggregate is still tied to the recovering economy, unemployment, and overall housing costs in the Denver AA. While it appears the bank has sufficient capacity and opportunity to increase its lending performance to LMI individuals, it should be noted that the bank originates a low level of HMDA-reportable loans overall. The bank's strategic focus is on commercial lending. In addition, while the bank was acquired by the new ownership group in 2010, time was needed to create a new and recognized brand for the bank with a more retail focus. As a result, growth opportunities became more viable beginning in 2012. Despite these factors, the bank has opportunities to increase its lending to LMI individuals within the Denver AA.

TABLE 8
DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS
DENVER MSA AA

Borrower Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Families[2]
	#	$000s)	# %	$ %	# %	$ %	
Total Home Mortgage Loans[3]							
Low	0	0	0.0	0.0	7.4	3.9	22.1
Moderate	0	0	0.0	0.0	16.9	12.0	17.1
Middle	2	741	12.5	12.5	21.3	19.1	20.2
Upper	8	3,035	50.0	51.4	38.5	47.0	40.6
Unknown	6	2,130	37.5	36.1	15.9	18.0	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	11.1	5.8	22.1
Moderate	0	0	0.0	0.0	22.8	17.1	17.1
Middle	2	741	18.2	18.8	22.9	22.5	20.2
Upper	7	2,813	63.6	71.5	34.2	46.3	40.6
Unknown	2	378	18.2	9.6	9.2	8.4	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	5.7	3.2	22.1
Moderate	0	0	0.0	0.0	14.2	10.2	17.1
Middle	0	0	0.0	0.0	20.6	18.6	20.2
Upper	1	222	33.3	22.8	40.5	49.7	40.6
Unknown	2	753	66.7	77.2	19.0	18.3	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	10.0	4.1	22.1
Moderate	0	0	0.0	0.0	17.8	12.0	17.1
Middle	0	0	0.0	0.0	24.8	21.1	20.2
Upper	0	0	0.0	0.0	43.2	56.7	40.6
Unknown	0	0	0.0	0.0	4.2	6.0	0.0

[1] Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
[2] The percentage of families and households are based on 2010 ACS data.
[3] Multi-Family Loans are not considered in the Borrower Analysis.
(NOTE: Total percentages shown may vary by .01% due to automated rounding differences.)

Small Business Loans

The bank’s distribution of small business loans by business revenue size was poor. As displayed in Table 9, on page 18, the bank’s lending by number of originations to businesses with $1 million or less in gross annual revenues has exceeded the percentage of other aggregate lenders by 3.3 percent, but these numbers, for both the bank and its peers, were well below the number of small businesses in the AA. Over 91 percent of businesses in the AA reported gross annual revenues of less than $1 million dollars. Despite being below the demographic figure reflected for small businesses, the bank has originated a significant number of loans that are frequently required by smaller businesses. Typically, smaller businesses do not have the need or capacity to borrow large amounts and smaller loan amounts are used as a proxy to estimate a bank's support of smaller businesses. During the sample period, the bank's percentage of loan originations under $250,000 was 72.2 percent which is reflective of its willingness to lend. Additionally, prior to the CIC acquisition, the bank was restricted on much of its lending due to its deposit base of escrow funds. With the bank's rapid growth, it is anticipated that opportunities for lending to small businesses will increase as well.

Alternative forms of credit and stringent underwriting standards are two factors that have impacted all financial institutions ability to lend to small businesses. Multiple community contacts who were interviewed during this examination stated that their interactions with small business owners indicate that credit standards have been heightened across the banking industry, which requires businesses to present a detailed business plan, including a history of profits and repayment ability, to be considered for credit. This forces many start-up businesses or entities without an established record of profits to seek credit from other sources, such as economic development corporations and state and federal programs. One of the community contacts is employed by an economic development corporation in the AA and works with small businesses to help them seek out grants and other sources of funding to establish their operations. Oftentimes, economic development corporations partner with county, state, and national governments, which are able to provide funds in a more attainable manner to small businesses.

TABLE 9
DISTRIBUTION OF SMALL BUSINESS LOANS BY REVENUE SIZE
DENVER MSA AA

Business Revenue by Size[1]	Business Loans				Aggregate CRA Data[2]		% of Businesses[3]
	#	$(000)	# %	$ %	# %	$ %	
$1MM or less	18	3,671	47.4	42.5	44.1	32.9	91.4
Over $1MM	20	4,961	52.6	57.5	Not Reported		5.3
Not Known	0	0	0.0	0.0			3.4

[1.] CRA defines small businesses loans as loans in the amount of $1 million or less.
[2] Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
[3] The percentage of businesses in the AA is based on 2012 D&B data.
(Total percentages shown may vary by .01 percent due to automated rounding differences.)

MOUNTAIN REGION ASSESSMENT AREA
(Full Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MOUNTAIN REGION AA

The bank's presence in the Mountain Region includes 5 branches in diverse mountain communities that are heavily reliant on the tourism industry. The bank's presence in Grand County consists of a full-service branch in Fraser, which is north and west of the Eisenhower Tunnel and the Continental Divide. Further west along Interstate 70, the bank has a full-service branch in Breckenridge, which is in Summit County. The bank's northern-most and more remote location is in Steamboat Springs, which is in Routt County. Finally, the bank has branches in Vail and Edwards, which are located in Eagle County. The Mountain Region AA represents the bank's second largest market presence by dollar amount of deposits of its three delineated AAs. According to the FDIC Summary of Deposits as of June 30, 2013, the AA contains 45 percent of total bank deposits. The bank had a deposit market share of 5.29 percent, making it the 5th largest of 17 FDIC-insured financial institutions operating in the AA. Competition includes nationally and state-based financial institutions.

DESCRIPTION OF THE MOUNTAIN REGION AA

The Mountain Region AA is comprised of all census tracts in Eagle, Grand, Routt, and Summit Counties. There are no low-income census tracts in this region. The tract distribution includes 1 moderate-, 7 middle-, and 22 upper-income census tracts, which can present unique challenges to lending to LMI individuals.

<u>General Economic Conditions</u>

Mountain communities throughout the state of Colorado suffered economically after the recession of 2008. The four counties that comprise the bank's Mountain Region AA experienced varying degrees of success in the recovery process. Transportation challenges, unpredictable weather, competition from tourist attractions within the state and nationwide, the seasonality of the ski industry, and the consumers' ability to shop for the best deal have all impacted the economic recovery in the respective communities. In addition, the diversity of industries present within each county has affected recovery. Even though tourism and the ski industry are at the heart of each county's economies, industry diversification, or the lack thereof, has played a significant role in the recovery process. While the high quality of life and intrinsic values present in these communities draw many people to these areas, an extremely high cost of living significantly impacts businesses and consumers in their ability to thrive economically.

Tourism is a core component to the economic health of the counties that comprise the bank's presence in Colorado mountain communities. Year-round recreational opportunities are available in the form of downhill skiing and snowboarding, Nordic skiing, hiking, mountain biking, hunting, fishing, and outdoor festivals. At least two ski resorts are located in each county, with Intrawest operating resorts in Grand and Routt Counties and Vail Resorts operating resorts in Eagle and Summit Counties. Intrawest and Vail Resorts are leaders in the mountain resort industry and they serve as major employers throughout the region. Employment levels fluctuate throughout the year as ski resorts hire many seasonal workers for the winter season which generally runs from late November to mid-April. Because of the seasonality of the ski industry, many service sector businesses experience ebbs and flows in their revenues throughout the year.

Other key industries include retailers, lodgers, and food service providers that facilitate the tourism industry; mining; ranching; outdoor equipment manufacturers; small-sized technology firms; healthcare providers; and local governments. Large employers include the Vail Valley Medical Center, Yampa Valley Medical Center, Peabody Energy (operator of Twentymile Coal Mine), and the following ski areas: Beaver Creek, Vail, Breckenridge, Keystone, Winter Park/Mary Jane, and Steamboat Springs.

<u>Routt County</u>

Routt County's economic recovery has been aided by the diversity of industries present within the county. Twentymile Coal Mine is based in Routt County and employs nearly 500 workers. It is the largest coal producing mine in Colorado, extracting 29 percent of all coal in Colorado in 2011. In addition to providing jobs and a source of energy to the state, the mine pays property taxes which in turn fund school programs in the county.

Outdoor gear manufacturers have found a home in Steamboat Springs and Routt County and provide employment opportunities for area residents. Bwear Action Products (which is associated with Big Agnes), Honey Stinger, and Smartwool, are based in Steamboat Springs and produces numerous products for outdoor enthusiasts ranging from socks to tents to performance food. Another gear manufacturer is Hala Gear, which produces inflatable paddle boards and associated products. High end mountain bikes are hand-crafted by employees at the Moots bicycle company in their factory in Steamboat Springs. Overall, these companies and other gear manufactures in Steamboat Springs provide job opportunities and have helped to diversify the area economy.

A community contact familiar with Steamboat Springs stated that many "location neutral" companies in the software and technology sectors have set up operations in Steamboat Springs. Numerous companies that employ 20 to 50 employees established operations in Steamboat Springs after the recession of 2008, which has helped bolster the economy and provide job opportunities.

Steamboat Springs is considered to be a "destination" ski resort because of its geographic isolation. As such, out-of-state visitors tend to spend multiple days in the area, which contributes to the service sectors of the economy. The community contact familiar with the area stated that while visitation has been increasing, lodging establishments in the area are not at pre-recession levels. The contact further stated that lodging establishments lowered rates after the recession to attract business, but as they try to increase rates, visitors are hesitant to pay the higher price. This has led to a slower recovery for the tourism industry in the county. But overall, the diversity of industry in the county has led to economic growth and recovery in Routt County.

Grand County

Economic recovery has been slower in Grand County. A community contact familiar with the area stated that the economy has been stagnant, which is due to numerous factors. Winter Park/Mary Jane Ski Resort is not considered a “destination” ski area due to its close proximity to the metropolitan Denver area. As such visitation typically is daily commuters that reside around the Front Range. This proximity to Denver means that people can visit in a day and return home, which affects lodging and other service industries in the area. The contact stated that the county government is studying ways to increase overnight visitation in the area.

Other tourism opportunities include Snow Mountain Ranch which provides Nordic skiing in the winter and hiking and mountain biking in the summer. The western entrance to Rocky Mountain National Park is in Grand Lake, but visitation to the park comes primarily through its eastern access points. Watersports are available at Lake Granby, Shadow Mountain Lake, and Grand Lake, while snowmobiling is a popular winter activity throughout the county.

Geographic barriers present challenges for Grand County businesses as visitors have to cross mountain passes that exceed 11,000 feet to access the ski areas and other recreational opportunities.

Summit County

Geographic isolation is less of an issue for Summit County businesses as Interstate 70 provides access to major towns in the county and Denver International Airport is approximately two hours from Breckenridge. Numerous “mountain taxi services” transport out-of-state visitors to the respective resorts in the county. Keystone and Breckenridge ski areas are supported by their parent company, Vail Resorts, and are significant employers in the area. These resorts draw on both day-trip visitors and destination visitors who spend multiple days in the area, which impacts the service sector of the economy. Each of these areas has a significant supply of condominiums that serve as lodging for visitors. In addition, second/vacation homes are prevalent in this county.

Summer tourism includes hiking and mountain biking at the resorts, water sports on Dillon Reservoir, and numerous outdoor festivals. The economy during the fall is fueled by visitors who come to see the changing colors in the mountains. The most significant indicator of economic health in Summit County is the return of housing prices to pre-recession levels.

Eagle County

The ski industry and year-round tourism are key components of the Eagle County economy. Vail Mountain and Beaver Creek ski resorts are known world-wide and Vail Mountain is the largest ski area in the United States. These resorts are operated by Vail Resorts and are significant employers in the county. Other significant employers include Vail Valley Medical Center and local government entities.

Another world renowned entity that operates in the Vail Valley is the Steadman Clinic, which specializes in orthopedics and sports medicine. The clinic treats patients from all walks of life including recreational and professional athletes from around the world.

Second homes and vacation homes are common throughout the Vail Valley. This has contributed to the extremely high home values in the county. In the moderate-income census tract in the Mountain Region AA, the median house value exceeds $1 million due to most houses proximity to Beaver Creek ski resort. Only 10.7 percent of these units are owner-occupied, while the remainder are second or vacation homes.

Further west in Eagle County, ranching, agriculture and gypsum mining contribute to the economy. In addition, a full-service airport operates out of Gypsum, which facilitates visitation to the ski resorts.

Region-wide Housing, Income and Employment Characteristics

Affordable housing for renters and homeowners is a significant issue throughout the Mountain Region AA. Even though the MFI for the Mountain Region AA is $78,268, which far exceeds the statewide average of $70,046, housing prices are significantly higher in the mountain communities. The median housing value (MHV) in the Mountain Region is $444,738, while the MHV statewide average is $236,600. These numbers reflect a significantly low affordability ratio of 14.9 percent in the Mountain Region when compared to the statewide average of 23.9 percent.

Renters in the Mountain Region face steeper rates than renters throughout the rest of the state. Rental rates are almost $300 a month higher in the bank's mountain communities then in the state overall. There are various affordable housing programs/complexes within the AA, but their numbers are limited and demand far exceeds the available number of units.

In Eagle County, Riverview Apartments is the county's only Section 8 complex with subsidized rental rates based on income. The complex has 72 units and currently has a waiting list for units as they become available. Privately operated in Avon, the Buffalo Ridge apartment complexes (244 units) have restricted rental rates focused on tenants that earn 60 percent and 80 percent of the Area Median Income (AMI). (Source: Eagle County Housing Department).

The United States Department of Agriculture – Rural Development program has funded a low-income apartment complex in Routt County. Hillside Village Apartments is a 55 unit complex targeted to low and very low income families. Other affordable housing programs in the Yampa Valley include Fish Creek Mobile Home Park and Fox Creek Village Condominiums (Source: Yampa Valley Housing Authority). Deed restrictions are in place on the condominiums, targeted to two different AMI's - 20 units are tied to the 80 percent AMI and ten units are targeted to the 120 percent AMI. In spite of these programs, housing is still unattainable for many in Yampa Valley/Routt County according to a community contact with knowledge of economic conditions in the county. The contact stated that single-family houses average around $650,000 while condominiums average $300,000. In addition, the contact stated that rental rates are often 50 percent higher than rates seen in the metropolitan regions of the state. Service sector workers are impacted greatly by these high housing prices and rental rates.

The Summit County Housing Authority is active in both rental and home ownership programs, but competition is fierce for affordable housing options. A community contact in Summit County stated that area residents often wait in line for days to be the first to apply for affordable housing units when they become available. In addition, this contact stated that house prices have returned to pre-recession levels, which has had a significant impact on service sector workers who are trying to attain home ownership.

Small Business Considerations

Community contacts in Summit, Grand, and Routt Counties commented on the stringent underwriting criteria being imposed by banks on start-up or relatively new businesses in the region. All three contacts stated that obtaining capital is a significant challenge for small businesses in their efforts to establish their operations. Alternative sources of funding, including micro-grants and revolving loan programs, which are sponsored by county-based economic development councils, are helping small businesses obtain the funding and resources they need to begin or increase operations.

Table 10, on page 24, details income, housing, business, and census tract characteristics for the Mountain Region AA based on 2006 - 2010 ACS data and 2012 D&B business data.

TABLE 10
MOUNTAIN REGION AA DEMOGRAPHICS

Income Categories	Tract Distribution		Families By Tract Income		Families < Poverty Level as a % of Families by Tract		Families By Family Income	
	#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	2,835	10.6
Moderate-Income	1	3.3	191	0.7	0	0.0	3,383	12.7
Middle-Income	7	23.3	5,323	20.0	229	4.3	5,010	18.8
Upper-Income	22	73.3	21,150	79.3	1,067	5.0	15,436	57.9
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**30**	**100.0**	**26,664**	**100.0**	**1,296**	**4.9**	**26,664**	**100.0**

	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-Income	2,102	225	0.7	10.7	28	1.3	1,849	88.0
Middle-Income	24,297	6,716	21.7	27.6	3,854	15.9	13,727	56.5
Upper-Income	63,714	23,982	77.6	37.6	9,407	14.8	30,325	47.6
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	**90,113**	**30,923**	**100.0**	**34.3**	**13,289**	**14.7**	**45,901**	**50.9**

	Total Businesses by Tract		Businesses By Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-Income	107	1.0	85	0.9	16	2.6	6	1.5
Middle-Income	2,444	22.6	2,198	22.4	139	22.2	107	26.3
Upper-Income	8,275	76.4	7,510	76.7	471	75.2	294	72.2
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**10,826**	**100.0**	**9,793**	**100.0**	**626**	**100.0**	**407**	**100.0**
Percent of Total Businesses:				**90.5**		**5.8**		**3.8**

(NOTE: Total percentages shown may vary by .01 percent due to automated rounding differences.)
Based on 2010 Census tract boundaries, 2010 ACS data, and 2012 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MOUNTAIN REGION AA

Geographic Distribution

<u>HMDA Loans</u>

The bank's geographic distribution of HMDA-related loans is reasonable. The mountain region AA has no low-income tracts and only one moderate-income tract, which had been a middle-income tract up until the 2010 Census. The bank made no HMDA loans in the moderate-income tract, but mitigating factors are present to explain this performance. Overall, only 0.7 percent of owner-occupied units are in the AA's one moderate-income tract, which limits lending opportunities for all financial institutions. Furthermore, this tract is unique since it includes a significant amount of land in the White River National Forest, which is not available for development. Also, Beaver Creek ski area is contained within this tract. Because of this, there are a significant number of seasonal/second homes included in the 2,102 housing units that are contained in the tract. Of this number, only 10.7 percent are defined as owner-occupied. In addition, the median housing value is over $1 million for houses in this tract.

Of the 30 tracts in the AA, 22 are upper-income, which is 73.3 percent of the tract distribution. As such, the majority of the bank's lending in the mountain region occurs in upper-income tracts. The bank's performance in middle-income tracts exceeds its aggregate peer by 7.2 percent and area demographics by 9.6 percent. Given the high costs, and limited housing available, lending in the moderate-income tract is extremely challenging.

TABLE 11
DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY
MOUNTAIN REGION AA

Census Tract Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Owner Occupied Units[2]
	#	$(000)	# %	$ %	# %	$ %	
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	1.5	5.2	0.7
Middle	10	1,993	31.3	24.6	24.1	22.3	21.7
Upper	22	6,100	68.8	75.4	73.9	72.1	77.6
Unknown[3]	0	0	0.0	0.0	0.5	0.4	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	1.3	5.3	0.7
Middle	5	764	29.4	22.4	24.5	22.7	21.7
Upper	12	2,646	70.6	77.6	73.7	71.4	77.6
Unknown[3]	0	0	0.0	0.0	0.5	0.6	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	1.6	5.3	0.7
Middle	5	1,229	33.3	26.2	23.9	22.6	21.7
Upper	10	3,454	66.7	73.8	74.0	71.6	77.6
Unknown[3]	0	0	0.0	0.0	0.5	0.4	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.7
Middle	0	0	0.0	0.0	27.0	22.5	21.7
Upper	0	0	0.0	0.0	73.0	77.5	77.6
Unknown[3]	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							**% of Multi-Family Units[2]**
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	3.1
Middle	0	0	0.0	0.0	0.0	0.0	36.2
Upper	0	0	0.0	0.0	100.0	100.0	60.7
Unknown[3]	0	0	0.0	0.0	0.0	0.0	0.0

[1] Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
[2] The percentage of owner-occupied housing and multi-family units by tract are based on 2010 Census tract boundaries and 2010 ACS data.
[3] Does not include tracts where the income level is unknown, which is 0.5% by number and 0.4% by dollar for aggregate lenders. Only includes tract locations not known.
(NOTE: Total percentages shown may vary by .01% due to automated rounding differences.)

Small Business Loans

The bank's overall performance in lending to small businesses is considered reasonable. A very small percentage of all businesses in the Mountain Region AA are located in its one moderate-income census tract. Only one percent of all businesses are located in this tract, which includes significant land associated with the Beaver Creek ski area and the White River National Forest, neither of which is available for commercial development. As such, commercial lending opportunities are significantly limited in this tract. The bank did not make any loans in this tract which is considered reasonable, while aggregate peer lenders only made 0.3 percent of their loans in this tract.

The bank outperformed its aggregate peer's lending performance in the seven middle-income census tracts in the AA. The bank made 26.9 percent of its small business loans in middle-income tracts while its peers only made 16.3 percent of their loans in these tracts. In addition, the bank outperformed demographic data as only 22.6 percent of businesses are located in these middle-income tracts.

TABLE 12
DISTRIBUTION OF SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
MOUNTAIN REGION AA

Census Tract Income Level	Small Business Loans[1]				Aggregate CRA Data[2]		% of Businesses[3]
	#	$(000)	# %	$ %	# %	$ %	
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.3	1.3	1.0
Middle	7	871	26.9	20.2	16.3	15.1	22.6
Upper	19	3,446	73.1	79.8	61.4	73.0	76.4

[1.] CRA defines small businesses loans as loans in the amount of $1 million or less.
[2] Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
[3] The percentage of businesses in the AA is based on 2010 Census tract boundaries and 2012 D&B data.
(Note: Total percentages shown may vary by .01 percent due to automated rounding differences.)

BORROWER DISTRIBUTION

HMDA Loans

The distribution of HMDA-related loans is considered reasonable. As seen in Table 13, on page 29, the bank was unable to make any HMDA-related loans to low-income borrowers in the Mountain Region AA. Additionally, aggregate peer lenders had minimal success lending to low-income families as they were well below the demographic figure of 10.6 percent of families with low-incomes in the Mountain Region AA. The bank had a degree of success lending to moderate-income families as it made 9.4 percent of its total HMDA-related loans in the Mountain AA to families with moderate-incomes. Although the percentage was below the demographic figure of 12.7 percent of families with moderate-incomes, it was stronger than its aggregate peer's performance.

There are numerous factors that impact home ownership in the Mountain Region AA and make it very difficult for low- and moderate-income families to purchase a home. First, the MHV for the four counties ranged from $269,100 to $530,900 with an average of $444,738, which far exceeds the statewide value of $236,700. Median household incomes for the AA averaged $66,402, while the statewide average is $57,685. Although incomes are higher in the AA, this has not led to a more affordable housing market. The affordability ratio for the entire AA is 14.9 percent, which is well below the statewide average of 23.9 percent. The only outlier for the AA is Grand County, which has an affordability ratio of 22.3 percent and is somewhat lower than the statewide average. Discussions with a community contact in Grand County revealed that the economy in this region of the AA has been slow to rebound from the recession of 2008. Grand County is reliant on visitations from Front Range residents to fuel its economy. The contact stated that numerous lodging establishments have had to reduce their prices to attract visitors and often have high vacancy rates. Although this is not directly related to housing, it is a factor in the slower economic recovery that is occurring in Grand County. Additionally, many of the jobs are seasonal and as such wages are not consistent or reliable to enable successful purchases of residences in this AA. While opportunities may exist to increase lending, it will be challenging to find qualified applicants. Much of the housing is rental property, and often includes grants or subsidies to provide affordability to local workers.

TABLE 13
DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS
MOUNTAIN REGION AA

Borrower Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Families[2]
	#	$000s)	# %	$ %	# %	$ %	
Total Home Mortgage Loans[3]							
Low	0	0	0.0	0.0	1.5	0.6	10.6
Moderate	3	205	9.4	2.5	6.1	2.9	12.7
Middle	3	1,205	9.4	14.9	12.9	8.1	18.8
Upper	25	6,651	78.1	82.2	71.2	75.9	57.9
Unknown	1	32	3.1	0.4	8.2	12.4	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	1.4	0.5	10.6
Moderate	1	46	5.9	1.3	6.9	3.2	12.7
Middle	2	1,143	11.8	33.5	13.6	8.7	18.8
Upper	13	2,189	76.5	64.2	71.0	76.1	57.9
Unknown	1	32	5.9	0.9	7.0	11.5	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	1.6	0.7	10.6
Moderate	2	159	13.3	3.4	5.7	2.9	12.7
Middle	1	62	6.7	1.3	12.5	8.0	18.8
Upper	12	4,462	80.0	95.3	71.5	77.7	57.9
Unknown	0	0	0.0	0.0	8.7	10.7	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	3.1	1.2	10.6
Moderate	0	0	0.0	0.0	8.0	3.1	12.7
Middle	0	0	0.0	0.0	15.3	8.6	18.8
Upper	0	0	0.0	0.0	67.5	68.3	57.9
Unknown	0	0	0.0	0.0	6.1	18.7	0.0

[1] Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
[2] The percentage of families and households are based on 2010 ACS data.
[3] Multi-Family Loans are not considered in the Borrower Analysis.
(NOTE: Total percentages shown may vary by .01% due to automated rounding differences.)

Small Business Loans

The distribution of small business loans by business revenue size was poor. As displayed in Table 14, on page 30, the bank's lending by number of originations to businesses with $1 million or less in gross annual revenues exceeded the percentage of other aggregate lenders by 15.5 percent. While the bank exceeded peer, neither group matched the area demographic figure of 90.5 percent.

Small businesses are core entities in the mountain region and play a key role in the economic health and success of these communities. Despite being below the demographic figure reflected for small businesses, the bank has been active in originating loans that are frequently required by smaller businesses. During the sample period, the bank's percentage of originated loans under $250,000 was 87.6 percent. Aggregate lenders were at 96.9 percent, indicating that the bank could increase its lending to small businesses.

During the examination, representatives of the business communities in Routt, Summit, and Grand Counties were contacted to solicit information about economic and business conditions in their respective communities. All three spoke of credit requirements that make it prohibitive for small businesses to obtain traditional forms of credit from banks. Unless they have a documented record of success, many small businesses cannot obtain credit from traditional sources. Oftentimes, funding is obtained from economic development corporations or through federal and state funded programs.

TABLE 14
DISTRIBUTION OF SMALL BUSINESS LOANS BY REVENUE SIZE
MOUNTAIN REGION AA

Business Revenue by Size[1]	Small Business Loans				Aggregate CRA Data[2]		% of Businesses[3]
	#	$(000)	# %	$ %	# %	$ %	
$1MM or less	16	2,361	61.5	54.7	46.0	44.5	90.5
Over $1MM	10	1,956	38.5	45.3	Not Reported		5.8
Not Known	0	0	0.0	0.0			3.8

[1.] CRA defines small businesses loans as loans in the amount of $1 million or less.
[2] Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
[3] The percentage of businesses and farms in the AA is based on 2012 D&B data.
(NOTE: Total percentages shown may vary by .01 percent due to automated rounding differences.)

BOULDER METROPOLITAN STATISTICAL AREA ASSESSMENT AREA
(Limited Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BOULDER MSA AA

Bank management has elected to designate the Boulder MSA AA as a separate AA, even though it is directly north of and adjacent to Jefferson and Broomfield Counties. The Boulder MSA consists of all tracts in Boulder County, which is a diverse county that includes the University of Colorado, numerous government and high-technology industries, and rural, mountainous regions including the southern portion of Rocky Mountain National Park, a large portion of the Roosevelt-Arapahoe National Forest, and the Indian Peaks Wilderness Area, which are sparsely populated areas with limited housing and business opportunities.

The bank has a limited presence in the Boulder MSA AA. It has one full-service branch that offers the same loans, products and services that are offered throughout the bank's other regions. The bank has a minimal market share in the Boulder MSA AA with .11 percent of total deposits per the June 30, 2013 FDIC Summary of Deposits report. The bank ranks as the 28th largest of 33 FDIC-insured financial institutions in the MSA. In addition, the bank only has 2.3 percent of its deposits in the Boulder branch. The bank has been in the Boulder market for a limited amount of time and is facing significant competition for loans and deposits.

General Economic Conditions

The Boulder economy remains highly diversified and strong. Falling incomes and declining credit quality, which have plagued many regions throughout the nation, have not been as prevalent in the Boulder MSA. High unemployment rates were not as prevalent in the Boulder MSA because of a highly educated workforce and a focus on technology and other professional fields. To an even greater degree federal research laboratories are a key component of the economic health of the region and provide many high-paying jobs. The National Center for Atmospheric Research (NCAR), the National Oceanic and Atmospheric Administration, the University Corporation for Atmospheric Research, and the National Institute of Standards and Technology all have facilities in Boulder and their work has a significant economic impact on the region. NCAR alone employs approximately 1,500 individuals, and a 2010 study performed by the Leeds School of Business at the University of Colorado determined that federal laboratories in Boulder employ over 3,500 workers with average salaries that exceed $104,000, resulting in an economic impact of almost $464 million. Overall, the study found that the 24 federal labs that are present throughout the state injected $1.5 billion into the Colorado economy in 2010. This study reiterates the importance of research and technology to the Front Range economy.

Housing, Income and Employment Characteristics

The breakdown of low-, moderate-, middle-, and upper-income families per 2010 Census data for the bank's delineated Boulder MSA AA closely mirrored the statewide breakdown. The percentage of families below the poverty rate within the delineated Boulder MSA AA at 6.48 percent was significantly less than the total state unemployment rate of 8.57 percent.

Overall, the Colorado housing market has a low housing affordability ratio[2]. The statewide affordability ratio equaled 23.9 percent as of the 2010 Census. The bank's Boulder MSA AA, with a ratio of 18.2 percent, was considerably lower than the statewide rate. The Boulder County's median housing value is high at $353,300 and the median household income is somewhat tempered due to the large student population. The Boulder MSA AA had a significantly higher MFI than the statewide average at $87,595, due in part to the highly educated workforce and presence of high-paying government jobs.

CONCLUSIONS WITH RESPECT TO SELECT PERFORMANCE TESTS IN THE BOULDER MSA AA

Only two HMDA-related loans were originated in the bank's Boulder MSA AA. Therefore, an analysis of geographic and borrower distribution of this loan type would not be relevant. The bank originated nine small business loans in the Boulder MSA AA; therefore, the geographic and borrower distribution tests were conducted. Factors that contributed to the low level of lending in the Boulder MSA AA include the bank's recent entrance into the market and low market presence coupled with the significant competition for loans.

Geographic Distribution

Small Business Loans

Overall, lending to small businesses in the LMI census tracts is considered reasonable. The bank did not have any loans to small businesses in the low-income census tracts in the Boulder MSA AA.. Though minimal, a percentage of small businesses in the AA are located in low-income census tracts at 3.8 percent. The Boulder MSA AA has 5 low-income census tracts, three of which are in the city of Longmont, which is approximately 15 miles from the bank's branch in Boulder. The geographic distance and number of banks between these tracts and the bank may account for the lack of penetration in the low-income tracts of Longmont. The other two low-income census tracts are in the heart of Boulder and consist primarily of college-aged individuals who attend the University of Colorado. It is recognized that the bank is new to this market; nonetheless, aggregate lenders originated approximately 2.9 percent of their loans within these tracks. As such, opportunities exist for the bank to increase lending in this area. The bank's lending in low-income census tracts is considered poor.

As seen in Table 15, on page 33, the bank was able to penetrate the moderate-income census tracts when lending to small businesses in the Boulder MSA AA. While the actual lending volume is low, the bank made 44.4 percent of its small business loans in this AA to small businesses located in moderate-income tracts. This performance exceeds aggregate peer

[2] The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

performance and demographic data by the same percentage at 21.8 percent. This is an excellent penetration in moderate-income census tracts as competition is strong for commercial loans in the AA. Overall, the bank is performing satisfactorily in this lending test in the Boulder MSA AA.

TABLE 15
DISTRIBUTION OF SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY BOULDER MSA AA

Census Tract Income Level	Small Business Loans[1]				Aggregate CRA Data[2]		% of Businesses[3]
	#	$(000)	# %	$ %	# %	$ %	
Low	0	0	0.0	0.0	2.9	2.8	3.8
Moderate	4	335	44.4	21.2	22.6	30.0	22.6
Middle	4	1,148	44.4	72.5	40.8	42.1	41.9
Upper	1	100	11.1	6.3	30.8	24.0	31.7

[1]CRA defines small businesses loans as loans in the amount of $1 million or less.
[2] Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
[3] The percentage of businesses in the AA is based on 2010 Census tract boundaries and 2012 D&B data.
(Note: Total percentages shown may vary by .01 percent due to automated rounding differences.)

Borrower Distribution

<u>Small Business Loans</u>

Considering the relatively short time the bank has been in this market, the bank's distribution of small business loans by business revenue size was adequate. The bank outperformed aggregate peer by 23 percent, though both were significantly behind area demographics. Despite being below the demographic figure reflected for small businesses, the bank has been active in originating loans that are frequently required by smaller businesses. During the sample period, the bank's percentage of loans under $250,000 or less was 66.7 percent. As stated above, the Boulder economy has been robust and credit quality is high.

TABLE 16
DISTRIBUTION OF SMALL BUSINESS LOANS BY REVENUE SIZE
BOULDER MSA AA

Business Revenue by Size[1]	Small Business Loans				Aggregate CRA Data[2]		% of Businesses[3]
	#	$(000)	# %	$ %	# %	$ %	
$1MM or less	6	1,447	66.7	91.4	43.7	38.0	92.0
Over $1MM	3	136	33.3	8.6	Not Reported		4.7
Not Known	0	0	0.0	0.0			3.3

[1.] CRA defines small businesses loans as loans in the amount of $1 million or less.
[2] Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
[3] The percentage of businesses and farms in the AA is based on 2012 D&B data.
(Total percentages shown may vary by .01 percent due to automated rounding differences.)