

PUBLIC DISCLOSURE

September 26, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

THE STATE BANK AND TRUST OF COLORADO SPRINGS
10-08-0279
824457

111 SOUTH TEJON STREET
COLORADO SPRINGS, COLORADO 80901

Federal Reserve Bank of Kansas City
925 Grand Avenue
Kansas City, Missouri 64198

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of State Bank and Trust of Colorado Springs, Colorado Springs, Colorado, prepared by **the Federal Reserve Bank of Kansas City, Denver Branch**, the institution's supervisory agency, as of September 16, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: *Outstanding*

The bank's performance with the Community Reinvestment Act is outstanding. The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. Additionally, a substantial majority of loans were found to be in the bank's assessment area, and the distribution of loans reflects excellent dispersion among

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individuals of different income levels and businesses of different sizes. The geographic distribution of loans across the assessment area by different income levels is reasonable. Furthermore, the bank's performance is strengthened by its demonstrated willingness to provide a variety of community development services.

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The following table indicates the performance level of State Bank and Trust of Colorado Springs with respect to each of the five core performance criteria and the two optional criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE STATE BANK AND TRUST OF COLORADO SPRINGS PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	The bank has not received any complaints about its CRA performance.		
Qualified Investments	Unrated. The bank does not have any qualified investments.@		
Qualified Services	Record of providing branches and other services enhances credit availability in assessment area.		

DESCRIPTION OF INSTITUTION

The State Bank and Trust of Colorado Springs is located in the city of Colorado Springs, Colorado, at 111 South Tejon Street. The bank operates out of one main location and a detached drive-through facility with a walk-up teller window. The bank owns two automated teller machines (ATMs), located at the main office and

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in the walk-up area of the drive-through facility. To accommodate commercial customers who cannot always visit the bank during regular hours, the bank operates a courier service as a branch bank called Mobile Bank. The Mobile Bank is considered a full service bank, except it does not handle cash. The State Bank and Trust of Colorado Springs is a locally-owned subsidiary of SB&T Bankshares Inc., a bank holding company.

The bank reported total assets of \$60,134,000 in its June 30, 1996 Report of Condition and Income (Call Report). The following table reflects the distribution of the bank's loan portfolio as of that date.

DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO		
Type of Loan	\$ Amount (In Thousand s)	Percentage of Total Loans
Commercial Loans	\$ 7,091	20%
Loans secured by real estate:		
Construction and land development	3,048	9%
Revolving, open-end loans secured by 1- to 4-family residential properties	75	0%
All other loans secured by 1- to 4-family residential properties	3,575	10%
Secured by multifamily (5 or more) residential properties	933	3%
Secured by nonresidential properties	16,584	47%
Consumer instalment loans	1,171	3%
Consumer open-end loans	257	1%
Other	2,494	7%
Total	\$35,228	100%

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The bank's performance under CRA was last evaluated during the January 30, 1995 examination. An Outstanding rating also was assigned at that time.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area is defined as the geographic area the bank has designated as its service area. The State Bank and Trust of Colorado Springs largely has designated the city of Colorado Springs and outlying areas as its assessment area. Included are the cities of Manitou Springs, Monument, Security, Broadmoor, Fountain, and Peterson Air Force Base, all of which are part of the Colorado Springs Metropolitan Statistical Area (MSA). The assessment area consists of a diverse mix of low- to upper-income levels and geographies. The Colorado Springs MSA is a larger area encompassing all of El Paso County, which includes the United States Air Force Academy, Fort Carson Army Base, and other small towns. The bank's assessment area does not arbitrarily exclude any low- and moderate-income areas, taking into account the bank's size, structure, and financial condition.

According to 1990 U.S. Census information, the median family income for the bank's assessment area is \$34,439. The Colorado Springs MSA median family income is slightly lower at \$33,932. The population growth for the area had slowed in 1995. In 1995 the population in the Colorado Springs MSA had risen from 451,000 in 1994 to 463,000, which is an increase of 2.7 percent. However, from 1992 to 1994, the population growth averaged 3.7 percent per year.

There are a total of 79 census tracts in the assessment area. Each tract's level of income is compared to the median family income of the bank's assessment area and identified as low-, moderate-, or upper-income. Low-income is defined as less than 50 percent; moderate income as at least 50 percent and less than 80 percent; middle-income as at least 80 percent and less than 120 percent; and upper-income as 120 percent or more of the median family income of the bank's assessment area. The following table shows the distribution of those tracts among the four income categories.

INCOME CLASSIFICATION OF CENSUS TRACTS IN THE STATE BANK AND TRUST ASSESSMENT AREA				

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	Low	Moderate	Middle	Upper
Number of Tracts	2	26	33	18
Percentage of Total Tracts	2%	33%	42%	23%

The local economy is strong. The area benefits from high-tech manufacturers and research firms, information processing firms, paper product manufacturing, and military installations, which offer middle-to upper-income level paying jobs. The military installations include the Fort Carson Army Base, the United States Air Force Academy, and the Peterson Air Force Base. The area also has experienced a large number of business start-ups. For example, a number of businesses in the restaurant and retail sectors have moved to the area. This economic activity has stimulated the population growth and commercial construction in the Colorado Springs area.

Major employers in the Colorado Springs area include the military installations, city and county government, manufacturers involved in producing computer equipment, parts, and hand tools, telemarketing firms, and software research firms. Entities employing over 1,000 people include each of the military installations, Atmel, City of Colorado Springs, El Paso County, Current Incorporated, Hewlett-Packard, Western Forge Corporation, MCI Consumer Markets, MCI Network Services, and Future Call West.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Community Reinvestment Act is outstanding. The bank's performance under each of the five small institution assessment criteria is summarized on the following pages.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio, which contrasts the level of net loans to deposits, is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average net loans-to-deposit ratio for the last four quarters, based on Call Report information ending June 30, 1996, is 60 percent. This ratio exceeds the 53 percent average loan-to-deposit ratio for banks with assets between \$25,000,000 and \$100,000,000 located within the bank's assessment area.

To further enhance the bank's loan-to-deposit ratio, it was noted that the bank offers Federal Housing Administration (FHA) Title I loans to low- and moderate-income families. This product enables such individuals to obtain home improvement loans secured by up to 100 percent of the equity in their home. Since the last examination, the bank has originated two FHA Title I loans totaling \$34,906. The bank also is active in the City of Colorado Springs Housing Rehabilitation Program. The purpose of this program is to provide funds to low- and moderate-income homeowners in order to make necessary repairs to their homes. The program also offers assistance in selecting and monitoring the contractor that will make the repairs. The bank has originated three loans under this program totaling \$30,082.

Lending in Assessment Area

A substantial majority of the bank's loans are originated within the bank's assessment area. This conclusion is based on a sample of loans reviewed during the examination. Two types of loan products were sampled, and their numbers included 49 consumer loans and 66 small business loans. As noted in the following table, 86 percent of consumer loans and 97 percent of the small business loans are originated from within the bank's assessment area. Overall, the total sample

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reveals that 92 percent of the bank's loans are from within the assessment area.

DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
LOAN TYPE	Inside				Outside			
	Number of Loans	%	\$ Amount of Loans	%	Number of Loans	%	\$ Amount of Loans	%
Consumer	42	86%	\$ 1,166,216	64%	7	14%	\$667,630	36%
Small Business	64	97%	\$7,001,445	95%	2	3%	\$375,016	5%

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

The distribution of borrowers, given the demographics of the assessment area, reflects an excellent penetration among individuals of different income levels and businesses of different sizes.

As noted in the following table, the loan sample shows that the bank is making loans to borrowers of different income levels, including low- and moderate-income individuals. The distribution of the number of consumer loans by income level of borrowers is particularly significant. The percentage of consumer loans to low and moderate-income borrowers are 17 and 24 percent, respectively.

This compares favorably with the composition of the assessment area, which is 2 percent low-income, 25 percent moderate-income, 42 percent middle-income, and 31 percent upper-income.

**DISTRIBUTION OF CONSUMER LOANS SAMPLED IN THE ASSESSMENT AREA
BY INCOME LEVEL OF BORROWER**

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Income Level				
	Number	%	Dollar	%
Low	7	17%	\$ 31,260	3%
Moderate	10	24%	\$152,550	13%
Middle	4	9%	\$ 19,420	2%
Upper	21	50%	\$962,626	83%

The bank makes a substantial majority of its commercial loans to small businesses. According to the loan sample, 77 percent are extended to small businesses with gross annual revenues less than \$1,000,000. Additionally, as shown on the following table, the bank is making loans to businesses of different sizes. Specifically, 61 percent of the number of loans in the assessment area are to businesses with gross annual revenues of less than \$500,000.

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DISTRIBUTION OF BUSINESS LOANS SAMPLED WITHIN THE ASSESSMENT AREA				
Gross Annual Revenue	Number of Loans	%	Dollar of Loans	%
Less than \$100,000	17	27%	\$1,482,265	21%
Greater than or equal to \$100,000 but less than \$250,000	15	23%	\$1,558,968	22%
Greater than or equal to \$250,000 but less than \$500,000	7	11%	\$ 755,500	11%
Greater than or equal to \$500,000 but less than \$1,000,000	10	16%	\$ 1,058,991	15%
Greater than or equal to \$1,000,000	15	23%	\$ 2,144,821	31%

Geographic Distribution of Loans

The bank's overall geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, given the demographics of the area. The distribution of loans is concentrated in middle- and upper-class census tracts. This is comparable to the dispersion of the population among the tracts.

The consumer loan activity shows that zero percent are in low-income tracts and 17 percent are in moderate-income tracts. The population breakdown within the tracts parallels this trend and shows that one of the low-income census tracts is sparsely populated. This census tract is located in an industrial business district. Although the bank's consumer lending to low- and moderate-income census tracts appears disproportionately low, it should be noted that 64 percent of the census tracts are middle- and upper-income. These census tracts are comprised of 74 percent of the families in the assessment area, and 79 percent of the households are owner-occupied. Individuals living in these tracts are more likely to use credit-related products from banks, such as home purchase loans and home improvement loans.

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Of the small business loans, one loan was in a low-income tract, and 21 loans were in the moderate-income tracts. This reflects a 2 and 33 percent share of the loans, respectively. The assessment area is comprised of 2 percent low-income and 24 percent moderate-income level families. Loan concentration in the middle- and upper-income tracts are well in line with the demographics of the bank's assessment area, which is 42 percent middle-income and 32 percent upper-income census tracts. The majority of small business loans are concentrated in these same census tracts.

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DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF CENSUS TRACT								
	Low-Income ¹		Moderate-Income ²		Middle-Income ³		Upper-Income ⁴	
	#	\$	#	\$	#	\$	#	\$
Consumer Loans	0	\$0	7	\$42,012	16	\$214,459	19	\$909,745
<i>Percent of Total</i>	0%	0%	17%	4%	38%	18%	45%	78%
Small Business Loans	1	\$13,310	21	\$2,210,390	20	\$2,499,190	22	\$2,278,555
<i>Percent of Total</i>	2%	<1%	33%	32%	31%	36%	34%	32%
Number of tracts in Assessment Area	2		26		33		18	
Percentage of Tracts*	3%		33%		42%		22%	
Number of Families by Tract	1,812		23,556		41,816		31,454	
<i>Percentage of Families</i>	2%		24%		42%		32%	
Owner-Occupied Households by Tract	1,099		15,846		35,262		28,816	
<i>Percentage of Households</i>	1%		20%		44%		35%	

Response to Complaints

The bank has received no complaints about its performance in meeting assessment area credit needs. Therefore, no assessment of the bank's performance in responding to complaints was made.

Qualified Investments and Services

The Bank's qualified investments and services also were considered in the examination process. The bank does not currently have investments that are considered qualified investments. However, the qualified services offered by the bank include a service called Mobile Bank, which is considered a branch office. As noted earlier, the Mobile Bank provides a courier service for commercial depositors. This service is readily available to businesses located in every census tract throughout the bank's assessment area. In addition to this service, bank management takes an active role in educating local elementary school students

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about business and job skills through Junior Achievement. Management also provides educational assistance on how to obtain a business loan through the Small Business Advisory.

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Compliance with Antidiscrimination Laws and Regulations

There were no substantive violations of the antidiscrimination laws and regulations identified during the fair lending component of the compliance examination.

In summary, the bank's overall performance materially exceeds the standards for satisfactory in the performance criteria to the extent that an outstanding rating is warranted.

