PUBLIC DISCLOSURE

AUGUST 17, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIRSTBANK OF VAIL
RSSD# 122658

17 VAIL ROAD
VAIL, COLORADO 81657

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.**

TABLE OF CONTENTS

INSTITUTION'S CRA RATING: ***This institution is rated: Satisfactory***
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

FirstBank of Vail (FBV) has a satisfactory record of helping to meet the credit needs of its entire assessment area (AA), including low- and moderate-income (LMI) individuals and small businesses, in a manner which is consistent with its resources, operating philosophy, and community needs.

The major factors supporting the institution's rating include:

Lending Test:

- The bank's average net loan-to-deposit (NLTD) ratio reflected a reasonable effort to extend credit in the AA given the bank's size, financial condition, and credit needs of the AA;
- A majority of the bank's loans were originated within its AA; and,
- The distribution of small business and residential real estate loans reflected a reasonable responsiveness among businesses of different revenue sizes and borrowers of different income levels.
- The distribution of loans throughout geographies of different income levels was considered reasonable.

Community Development Test:

- The level of qualified community development loans, investments and grants, and services demonstrated an adequate level of responsiveness to the community development needs in the AA, given the community development opportunities within the AA, and competition for these activities among local financial institutions.

SCOPE OF EXAMINATION

FBV's Community Reinvestment Act (CRA) performance was evaluated using the Federal Financial Institution Examination Council's (FFIEC) interagency examination procedures for intermediate small banks. The intermediate small bank procedures assign an overall rating based on the bank's performance under two equally weighted tests, which include the lending test and the community development test.

For the lending test, the following four performance criteria were relevant to this review:

- NLTD Ratio;
- Lending Inside the AA;
- Distribution by Income Level of Geographies; and,
- Lending to Businesses of Different Revenue Sizes and Borrowers of Different Income Levels.

One of the five criteria used to evaluate the lending test was not included in this analysis. The bank's responsiveness to CRA complaints was not evaluated as the bank has had no complaints related to its CRA performance.

The bank's major product lines were determined through a review of the bank's Report of Condition and Income (Call Report), discussions with bank management, and a review of the number of loan originations since the bank's last CRA examination in July 2004. The loan products selected for analysis were small business loans and residential real estate loans. Although the bank is not a CRA reporter, the bank voluntarily collects data required for CRA reporters. As such, the analysis included the information collected for all small business loans originated in 2007 and 2008. The evaluation of the residential real estate loans included a statistically derived random sample of 45 loans, out of a universe of 88 loans originated between May 31, 2008 and May 31, 2009. The community development test included community development loans, investments and grants, and services since the previous examination dated July 26, 2004. The review also included prior period qualified investments that were outstanding during the current evaluation period.

During the examination, interviews were conducted with members of the community to ascertain the credit needs of the AA, the availability of community development investment opportunities, and local economic conditions. The community contacts included representatives from a local housing authority agency, a chamber of commerce, and an economic development agency.

DESCRIPTION OF INSTITUTION

FBV is headquartered in Vail, Colorado, which is a resort community approximately 100 miles west of Denver, Colorado. In addition to the main location, the bank has two full-service branches in Vail, and one in Minturn, Colorado. The bank also owns and operates four full-service automated teller machines (ATMs) located at the bank facilities. In addition to the physical locations, the bank offers online and telephone banking services. The bank has no financial or legal impediments that would prevent it from fulfilling its responsibilities under the CRA and received an outstanding rating at the previous CRA evaluation conducted by the Federal Reserve Bank of Kansas City as of July 26, 2004.

FBV is a wholly-owned subsidiary of FirstBank Holding Company (FBHC). FBHC had consolidated assets of $9,595 billion as of June 30, 2009, and owns and operates 26 FirstBank subsidiaries. According to the June 30, 2009 Call Report, FBV reported total assets of $344,365 million, total loans of $253,216 million, and total deposits of $251,159 million. The bank had a deposit market share of 18.3 percent as of June 30, 2008, ranking it third out of the 13 Federal Deposit Insurance Corporation (FDIC) insured financial institutions in the AA.

The bank provides a broad range of commercial and retail lending services. Table 1 shows a breakdown of the bank's loan portfolio as of June 30, 2009.

TABLE 1
FIRSTBANK OF VAIL'S LOAN PORTFOLIO

Loan Type	Amount ($000)	Percent of Total
Residential Real Estate	169,416	66.90
Commercial	74,234	29.32
Agriculture	5,778	2.28
Consumer	2,171	0.86
Other	1,617	0.64
Total Gross Loans	253,216	100.0

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FBV has designated six tracts in Eagle County as its AA. Eagle County is a nonmetropolitan area located in the Rocky Mountains, one county west of the Denver Metropolitan Statistical Area (MSA). The county includes the ski resort area of Vail, Colorado, and the communities of Avon, Eagle, Edwards, Gypsum, Minturn, Red Cliff, and Wolcott. The AA is comprised of two middle-income tracts and four upper-income tracts. Of the bank's four offices, one is located in a middle-income tract, and three are in upper-income tracts.

Population Characteristics

Eagle County exhibited significant population growth between 2000 and 2008, increasing by 25.6 percent. According to census bureau data, Eagle County is one of the larger rural counties in the state, with an estimated population of 52,331 as of July 2008. The population is expected to increase another 27.0 percent by 2015, adding an estimated 13,887 residents and approximately 10,300 new jobs (2007 Eagle County Housing Needs Assessment, Department of Local Affairs).

Employment and Economic Characteristics

The primary industries in the AA include food services (26.7 percent); construction (19.2 percent); retail trade (12.5 percent); and educational, health, and social services (10.0 percent). The larger employers in the AA include Vail Resorts, Eagle County School District, Hyatt Regency-Beaver Creek, Vail Valley Medical Center, and the various municipalities. Eagle County's unemployment rate increased significantly between 2008 and the first quarter of 2009, from 3.7 percent to 5.6 percent. Nonetheless, unemployment in the AA remains well below the state and national averages.

A local official stated that the economy has seen a decline of approximately 15 percent in sales tax revenue in 2009, which accounts for approximately 39 percent of the tax revenue for the town of Vail. The area has also experienced a sharp decline in building permits, which has further decreased the tax revenue and caused a decline in the town's 2009 operating budget. The contact also stated that sales tax revenue is expected to remain flat during the 2009 and 2010 ski season. Nonetheless, Vail has fared better than other Colorado ski resorts which have experienced much greater declines in tax revenue.

Income and Housing Characteristics

The AA had a median-family income (MFI) of $67,495 as of 2000, well above the statewide non-MSA average of $44,319. Housing prices in the AA are also significantly higher, with median housing values equaling $300,879 in 2000, compared to the statewide non-MSA average of $119,022. Based on 2005 to 2007 three-year estimates, the affordability ratio has further declined as the AA's median value of owner-occupied homes equaled $461,600, compared to the U.S. figure of $181,800. The affordable housing issues were discussed in the Eagle County Housing Needs Assessment of 2007, which stated that 97.3 percent of the homes listed for sale in Eagle County would only be considered affordable for those making more than 140 percent of the US Department of Housing and Urban Development (HUD) Area Median Income (AMI). The report also stated there is a significant gap between the current demand for housing units and the number of homes available. In 2007, there was a difference of 3,396 units between the demand of 4,446 units and the 1,048 homes listings.

Interviews with community members were conducted during this evaluation to gain perspective on local economic conditions and potential credit needs. These contacts included officials from a local housing authority, a chamber of commerce, and an economic development agency. The contacts agreed that the largest problem facing the area is affordable housing. According to one contact, housing prices have continued to increase due to the wealth brought in from nonresidents as they purchase second homes in the area. Given the large number of employees in lower paying jobs in the food and retail industries, many of the workers are forced to live in neighboring areas that are more affordable or reside in rental properties. The contacts felt that the area banks are responsive to affordable housing issues by offering long-term residential financing and by active participation in down payment assistance programs for LMI homebuyers.

Table 2 provides demographic information regarding the bank's assessment area based on 2000 Census and 2008 Dun and Bradstreet data.

TABLE 2
BANK'S ASSESSMENT AREA DEMOGRAPHICS

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	530	7.3
Moderate-income	0	0.0	0	0.0	0	0.0	731	10.0
Middle-income	2	33.3	578	7.9	23	4.0	1,205	16.5
Upper-income	4	66.7	6,729	92.1	234	3.5	4,841	66.3
Total Assessment Area	**6**	**100.0**	**7,307**	**100.0**	**257**	**3.5**	**7,307**	**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	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	1,065	496	6.4	46.6	364	34.2	205	19.2
Upper-income	18,192	7,230	93.6	39.7	4,476	24.6	6,486	35.7
Total Assessment Area	**19,257**	**7,726**	**100.0**	**40.1**	**4,840**	**25.1**	**6,691**	**34.7**

	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	148	4.5	136	4.7	9	3.4	3	3.0
Upper-income	3,117	95.5	2,765	95.3	255	96.6	97	97.0
Total Assessment Area	**3,265**	**100.0**	**2,901**	**100.0**	**264**	**100.0**	**100**	**100.0**
	Percentage of Total Businesses:			**88.9**		**8.1**		**3.1**

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The conclusions regarding the lending and community development tests are summarized in the following sections. Supporting information for each test is divided into performance characteristics as described in Appendix A of Regulation BB, which implements the CRA.

LENDING TEST

The bank's performance under the lending test is rated satisfactory. The bank's NLTD ratio and the percentage of loans originated inside the AA demonstrate a reasonable effort to extend credit. Furthermore, the distribution of lending based on business revenue size and borrower income level is considered reasonable, as is the bank's lending in geographies of different income levels.

Net Loan-to-Deposit Ratio

The bank's average NLTD ratio is considered reasonable and demonstrates a willingness to extend credit given the bank's size and financial condition, credit needs of the AA, and demographic and economic factors present in the bank's AA. The bank's NLTD ratios were averaged for the previous eight quarters and compared to the NLTD ratios of state and national peer groups, as well as its local competitors. The bank's NLTD ratio averaged 87 percent over the most recent eight quarters ending June 30, 2009. This NLTD ratio is comparable to the state and national peer group ratios, at 91.0 and 89.0 percent, respectively. In addition, the bank's 8-quarter average was significantly higher than one peer bank and comparable to another (65.0 percent and 90.0 percent).

Assessment Area Concentration

Based on the sample of loans reviewed during the examination, the bank originated the majority of its loans within the AA. As illustrated in Table 3, the bank originated 87.2 percent of its loans to borrowers within its AA. The bank's percentage by dollar amount was somewhat lower at 74.9 percent; however, the analysis focused on the number of loans originated as it is a better indicator of the number of businesses and individuals benefiting from the loans.

Geographic Distribution of Loans

This performance test evaluates the bank's distribution of lending within each of the tracts in its AA, compared to the number of small businesses within each tract, and the percentage of owner-occupied housing within each tract. Emphasis is generally placed on lending in LMI tracts; however, there are no LMI tracts within the bank's AA. Overall, the bank's distribution of loans reflected a reasonable dispersion throughout its middle- and upper-income tracts, as indicated in Table 3.

Small Business Loans

As shown in Table 3, 7.8 percent of small business loans were originated in middle-income tracts, and 92.2 percent of the loans were originated in the upper-income tracts. This compares favorably to the number of businesses in the middle and upper-income tracts, at 4.7 and 95.3 percent, respectively. As such, the banks dispersion of small business loans based on the income level of geographies is considered reasonable.

Residential Real Estate Loans

The distribution of residential real estate loans is also considered reasonable. As shown in Table 3, 5.1 percent of the bank's residential real estate loans were originated in the middle-income tracts, and 94.9 percent of the loans were originated within the upper-income tracts. This distribution is comparable to the percentage of owner-occupied housing in the middle- and upper-income tracts, at 6.4 and 93.6 percent respectively. As a result, the bank's distribution of loans within its middle- and upper-income tracts is considered reasonable.

Distribution of Loans by Revenue Size of Business and Borrower Income

This performance criterion reviews the bank's level of lending to small businesses with gross annual revenues of less than $1 million and the lending distribution to borrowers of different income levels, with an emphasis on lending to LMI families. The bank's overall lending distribution was considered reasonable.

Small Business Loans

As indicated in Table 3, 62.7 percent of the bank's loans were to businesses with less than $1 million in revenue. Although the bank's distribution was somewhat lower than the percentage of small businesses in the AA, 21 of the sampled loans were to businesses with unreported revenues. As such, these loans were not included in the total number of loans to small businesses or loans to businesses with revenues greater than $1 million. The bank's 2007 and 2008 CRA Self Assessments stated that many of the loans with unreported incomes are to start-up businesses. In addition, all of the loans with unreported revenues were small-dollar loans of $10,000 or less, which indicated that many of these businesses would likely have revenues of under $1 million. Therefore, the bank's record of lending to small businesses is considered reasonable.

Residential Real Estate

As shown in Table 3, 17.2 percent of the AA is comprised of LMI families, while the bank originated 7.7 percent of its loans to LMI borrowers. Given the significant affordable housing issues in the AA, the bank's distribution is considered reasonable. Furthermore, the bank has been actively involved in addressing affordable housing issues for LMI borrowers by providing two bank-developed affordable housing products and participating in the Eagle County Down Payment Assistance Program. These programs are discussed in more detail in the community development section of this report.

TABLE 3 SUMMARY OF LENDING PERFORMANCE								
Distribution of Loans In and Out of the Assessment Area								
	Inside AA				**Outside AA**			
	#	**%**	**$(000)**	**%**	**#**	**%**	**$(000)**	**%**
Small Business Loans	424	87.2	138,382	74.1	62	12.8	48,483	25.9
Residential Real Estate	39	86.7	9,029	90.5	6	13.3	942	9.5
TOTAL	463	87.2	147,411	74.9	68	12.8	49,425	25.1
Distribution by Borrower Income Level and Revenue Size of Business								
	% of Bank Loans				**% of Small Businesses**			
Small Business Loans	62.7				88.9			
	% of Bank Loans				**% of Families**			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Residential Real Estate	2.6	5.1	17.9	74.4	7.2	10.0	16.5	66.3
Distribution by Income Level of Geographies								
	% of Bank Loans				**% of Small Businesses**			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Small Business Loans	0.0	0.0	7.8	92.2	0.0	0.0	4.7	95.3
	% of Bank Loans				**% of Small Businesses**			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Residential Real Estate	0.0	0.0	5.1	94.9	0.0	0.0	6.4	93.6

COMMUNITY DEVELOPMENT TEST

The bank's community development rating is considered satisfactory. The analysis of the community development test focuses on qualified lending, investments and grant activities, and services. To qualify for CRA credit, the activity must promote affordable housing or support community services targeted to LMI individuals, enhance economic development by financing small businesses or farms, assist in the creation or retention of jobs for LMI individuals, or revitalize and stabilize designated distressed and/or underserved nonmetropolitan middle-income tracts.

As illustrated in Table 4, the bank originated 13 community development loans totaling approximately $11.2 million. Of these loans, 4 were in the AA and were for affordable housing projects in the amount of $618,750. The remaining loans were originated in conjunction with other FirstBank subsidiaries and were primarily targeted to revitalization in enterprise zones within the state. Given the limited community development opportunities in the AA, and the bank's focus on addressing the affordable housing issues in its communities, the bank has demonstrated adequate responsiveness to credit and community development needs.

TABLE 4 COMMUNITY DEVELOPMENT LOANS		
Purpose	**#**	**$**
Affordable Housing	6	3,193,910
Revitalize and Stabilize	7	7,960,435
Community Services	0	0
Economic Development	0	0
Total	13	11,154,345

The bank also offers the following home financing programs, which are targeted to LMI individuals:

Affordable Housing Programs

The bank has implemented two affordable housing products: The affordable and super affordable loans. Between 2005 and June 2009, the bank originated 60 loans under its affordable loan product, for a total of $11.9 million; and 16 loans under the super affordable product, equaling $2.3 million. These programs are targeted to LMI borrowers and contain maximum income limits for qualification. The programs offer lower closing costs and down payment requirements.

Eagle County Down Payment Assistance Program

The bank works as a participating lender with the Eagle County Down Payment Assistance Program. This program helps facilitate the purchase of homes for LMI borrowers and offers down payment and closing cost assistance, and lower interest rates. The bank has originated 22 loans through this program between 2005 and June 2009 for a total of $488,856.

The bank originated eight community development investments totaling $6,175,000. The investments originated since the previous examination were targeted to affordable housing and include a revenue bond purchased from the town of Gypsum for the purpose of multifamily affordable housing and five Colorado Housing and Finance Authority (CHFA) bonds. CHFA is an organization established to provide affordable housing and business loans to small and medium-sized businesses. The bonds purchased by the bank were targeted to affordable housing initiatives in the state.

The bank showed a commitment to the communities in which it operates by making donations in the amount of $114,979 to 28 qualified organizations. The donations were targeted to agencies providing services to LMI individuals and families, and to affordable housing agencies. The bank made donations to local food drives, scholarship programs for LMI students, and several agencies that provide financial or medical assistance to LMI individuals. The bank also made donations to several organizations that assist with affordable housing issues through construction of affordable housing, provision of down payment assistance for LMI borrowers, or governmental agencies that provide affordable housing assistance.

The bank's employees and officers are also involved in seven qualified community development services with six different organizations. Of these qualified services, two organizations target affordable housing, and five provide services to LMI individuals and families. Two bank employees provide underwriting expertise for an agency that provides no interest loans to LMI individuals who have emergency medical or housing needs. Another individual provides financial expertise to an agency that facilitates the production of affordable housing in the bank's AA.

The bank also provides no fee accounts to local attorneys to benefit the Colorado Lawyer Trust Account Foundation and to local realtors to benefit the Colorado Association of Realtors Housing Opportunity Foundation. The interest earned on these accounts is used to provide legal services and affordable housing assistance to the state's low-income citizens. Since the previous examination, the bank paid $5,311 in interest to these accounts.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies and procedures, credit applications, loans and denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that have gross annual revenues of $1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, designated distressed or underserved nonmetropolitan middle-income areas or designated disaster areas.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank):

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan, and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the banks assessment area(s) or a broader statewide or regional area that includes the bank's assessment area, and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family, and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median family income (**MFI**). In nonMSA areas, the level is based on the statewide, nonMSA median family income.

Low-Income – Less than 50 percent of the area median family income

Moderate-Income – At least 50 percent and less than 80 percent of the area median family income

Middle-Income – At least 80 percent and less than 120 percent of the area median family income

Upper-Income – At least 120 percent or more of the area median family income

LMI – Collectively, low- and moderate-income families or tracts.

Metropolitan Statistical Area (MSA) – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of $1 million or less.

Small Farm – A farm with gross annual revenues of $1 million or less.

Small Loan(s) to Business(es) – A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”). These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s) – A loan included in “loans to small farms” as defined in the instructions for preparation of the Call Report. These loans have original amounts of $500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.