



## **PUBLIC DISCLOSURE**

October 4, 2004

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

**WESTSTAR BANK  
RSSD# 352857**

**108 SOUTH FRONTAGE ROAD WEST  
VAIL, COLORADO 81637**

**Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
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 RATING**

**INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:** WestStar Bank is rated **"Satisfactory."**

The following table indicates the performance level of WestStar Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	WESTSTAR BANK		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

Major factors supporting the institution's rating include:

**Lending:**

- Lending levels reflect an adequate responsiveness to assessment area credit needs, with a high percentage of loans originated in the bank's assessment areas;
- The geographic distribution of Home Mortgage Disclosure Act (HMDA) and small business loans reflects an adequate penetration among geographies of various income levels;
- The distribution of HMDA loans reflects a good penetration among borrowers of different income levels;

- The distribution of small business loans reflects an adequate penetration to businesses of different revenue sizes; and,
- The bank makes an adequate level of community development loans.

**Investments:**

- The bank makes an adequate level of qualified community development investments and grants which exhibit an adequate responsiveness to credit and community development needs.

**Services:**

- Delivery systems are accessible to essentially all portions of the bank's assessment areas;
- The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income individuals and geographies;
- The bank offers a wide range of retail services, which do not vary in ways that inconvenience certain portions of the assessment areas; and,
- Bank personnel provide a relatively high level of community development services.

**INSTITUTION**

**DESCRIPTION OF WESTSTAR BANK**

WestStar Bank is a wholly owned subsidiary of Vail Banks, Inc., a one-bank holding company located in Avon, Colorado. Headquartered in Vail, Colorado, the bank operates offices throughout the western half of the state with a concentration in the mountain areas including several resort communities. As of the June 30, 2004 Report of Condition and Income (Call Report), the bank had assets of \$587,172,000 and its core business lines were commercial and development lending. However, the bank also offers consumer and real estate loan products and operates a mortgage division which originates secondary market mortgage loans. Exhibit 1 provides a breakdown of the bank's loan portfolio.

<b>EXHIBIT 1 DISTRIBUTION OF LOANS AS OF JUNE 30, 2004</b>				
<b>Type of Loan</b>			<b>Amount \$(000s)</b>	<b>Percent</b>
Loans Secured by Real Estate:			316,059	90
	Amount \$(000s)	Percent		
Loans Secured By 1- to 4-Family Residential Properties	64,174	20		
Loans Secured By Multifamily Properties	5,266	2		
Loans Secured By Farmland	249	1		
Construction and Land Development Loans	131,076	41		
Loans Secured By Nonfarm, Nonresidential Properties	15,294	36		
Agricultural Loans			8	1
Consumer Loans			4,800	1
Commercial Loans			25,586	7
Other			4,456	1
<b>TOTAL</b>			<b>350,909</b>	<b>100</b>

WestStar Bank serves five assessment areas including three metropolitan and two rural assessment areas. The three metropolitan statistical areas (MSAs) served are Denver, Grand Junction, and Estes Park, Colorado. The two rural assessment areas are designated as the Mountain and Western Slope assessment areas. The bank operates a total of 23 offices and 18 automated teller machines (ATMs) throughout these assessment areas. Since the previous CRA evaluation, the bank opened two new branches in Denver and relocated a branch in the Mountain assessment area.

The bank experienced 4 percent growth between year-end 2002 and year-end 2003. According to Federal Deposit Insurance Corporation (FDIC) market share reports, the bank's most dominant market share is in the Mountain assessment area. By county, however, the bank's most dominant presence is in San Miguel County, which is located in the Western Slope assessment area.

The assessment of the bank's CRA performance is considered in the context of its financial capacity, legal impediments, local economic conditions, and demographics. Although WestStar Bank is subject to a high level of competition from a number of financial institutions, there are no legal or financial impediments that would prevent the bank from meeting assessment area credit needs. WestStar Bank's CRA performance was last reviewed as of September 16, 2002, at which time it was rated "Satisfactory."

## **SCOPE OF EXAMINATION**

An evaluation of the bank's performance under the CRA was conducted as of October 4, 2004 using the Federal Financial Institutions Examination Council (FFIEC) Interagency Large Bank Examination Procedures. The procedures require a review of the bank's lending, investment, and service activities since the prior CRA evaluation. This review included all commercial and residential real estate loans reported pursuant to CRA and HMDA data collection requirements. Until August 1, 2004, when it was merged into WestStar Bank, the bank operated a mortgage company subsidiary known as First Western Mortgage Services, Inc. (FWMS). FWMS primarily acted as a broker for mortgage loans sold on the secondary market. A high volume of mortgage loan applications were received by FWMS, but the credit decisions on the majority of these applications were made by the eventual purchasers of the loans, or investors. FWMS personnel were authorized to make the credit decisions for only one investor. As a result, the HMDA data collected by FWMS consisted of the loans originated on behalf of this one investor. The FWMS HMDA data was considered in conjunction with the HMDA data of WestStar Bank during this CRA evaluation. In August 2004, this subsidiary of the bank was renamed WestStar Mortgage.

HMDA and CRA loans originated during the time period beginning January 1, 2002 and ending December 31, 2003, and community development loans originated between October 1, 2002 and June 30, 2004 were analyzed to determine the bank's performance under the Lending Test. The Investment and Service Tests considered investments, grants, contributions made, and community service activities conducted since the prior CRA examination dated September 16, 2002. In addition, a review of the bank's level of lending activity as compared to other commercial banks operating in the same areas was conducted. Specifically, the bank's lending performance was compared to the performance of other large financial institutions ("aggregate lenders") reporting the origination of home mortgage and small business loans. The primary focus for the evaluation of the bank's CRA performance was the two rural assessment areas labeled as the Mountain assessment area and the Western Slope assessment area. These two assessment areas encompass 17 of the bank's offices, hold 83 percent of the bank's total deposits, and produce 76 percent of the bank's total loan originations. A limited review of the loan data and investment and service activities from the Grand Junction, Denver, and Estes Park assessment areas also was conducted, but these activities were given less weight in determining the bank's overall CRA rating.

It is important to note that the geographic locations of loans originated from January 1 through December 31, 2002 for residential and business loans were based upon 1990 census

information. However, in accordance with interagency guidance, the geographic locations of loans originated on or after January 1, 2003 were based upon the 2000 census data. Given demographic and economic shifts that have occurred since 1990, additional consideration was given to the most current census data in determining the reasonableness of the bank's geographic distribution of loans.

Interviews with community contacts within the bank's assessment areas were conducted to ascertain the credit needs of the communities the bank serves, the availability of community development opportunities in the area, and the local economic environment. Additional community contacts previously contacted in the areas in conjunction with other CRA evaluations were obtained from the FFIEC and also were considered.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

The overall conclusions regarding the Lending, Investment, and Service Tests are summarized at the beginning of each section. Supporting information is then divided into performance characteristics that are described in Appendix A of Regulation BB, which implements the CRA.

In accordance with the CRA and HMDA data collection requirements for commercial banks with assets greater than \$250 million and offices located in metropolitan areas, WestStar Bank collected and compiled the required information for 283 small business loans and 313 real estate loans from January 1, 2002 to December 31, 2003. This data was analyzed under the Lending Test to determine the bank's performance with respect to assessment area loan concentration, geographic distribution of loans, and originations to borrowers of different income levels and to businesses of different sizes.

## **LENDING TEST**

The overall rating for the institution under the Lending Test is Low Satisfactory. The bank offers a significant number of credit products at lending levels that reflect an adequate responsiveness to the credit needs of the assessment area. In addition, a high percentage of the loans were made within the institution's assessment areas. The geographic distribution of loans reflects an adequate penetration throughout the assessment area. The bank's loans are well distributed among individuals of different income levels and are adequately distributed to businesses of different sizes. The bank exhibits an adequate record of serving the credit needs of low- and moderate-income (LMI) individuals and geographies and of very small businesses, consistent with safe and sound banking practices. The bank also makes an adequate level of community development loans, although it makes limited use of innovative or flexible lending practices in order to help meet assessment area credit needs.

**Lending Activity:**

The bank's overall lending levels reflect an adequate responsiveness to the assessment areas' credit needs. WestStar Bank offers a full range of credit products including home equity loans, mobile home loans, construction loans, development loans, consumer loans, business loans and agriculture loans. A full range of mortgage loan products are also offered through the bank's mortgage division, WestStar Mortgage. In 2002 and 2003, this division originated 1,542 mortgage loans totaling \$481,761,222. Also through this division, home loan programs targeted to LMI borrowers are offered through Fannie Mae, the Federal Home Loan Bank (FHLB), and the Federal Housing Authority (FHA). The bank participates in government-guaranteed loan programs through the Small Business Administration (SBA).

Exhibit 2 details the volume of the bank's lending activity. Refer to Table 1 in Appendix C for information on the bank's lending activities in each assessment area.

<b>EXHIBIT 2 SUMMARY OF LENDING ACTIVITY</b>				
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>\$('000s)</b>	<b>%</b>
HMDA Home Purchase	79	25	15,928	25
HMDA Refinancings	212	68	42,554	67
HMDA Home Improvement	19	3	2,198	3
HMDA Multifamily	3	1	3,290	5
<b>Total HMDA-Related</b>	<b>313</b>	<b>53</b>	<b>63,970</b>	<b>63</b>
<b>Total Small Business</b>	<b>283</b>	<b>47</b>	<b>37,001</b>	<b>37</b>
<b>TOTAL LOANS</b>	<b>596</b>	<b>100</b>	<b>100,971</b>	<b>100</b>

Note: WestStar Mortgage HMDA-reportable loans are included.

**Assessment Area Concentration:**

This performance criterion evaluates the concentration of loans originated by the bank in its combined assessment area. A high percentage of the bank's lending activities occurred within the boundaries of the combined assessment area. Exhibit 3 illustrates by product type, the number and dollar amount of loan originations. An average of 81 percent of the number of loans and 79 percent of the dollar amount of loans were made within the assessment area. This concentration of loans within the combined assessment area is considered good.



<b>EXHIBIT 3 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA</b>								
	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$('000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$('000s)</b>	<b>%</b>
HMDA Home Purchase	53	67	11,301	71	26	33	4,627	29
HMDA Refinancings	135	64	27,995	66	77	36	14,559	34
HMDA Home Improvement	18	95	2,194	99	1	5	4	1
HMDA Multifamily	2	67	2,688	82	1	33	602	18
<b>Total HMDA-related</b>	<b>208</b>	<b>67</b>	<b>44,178</b>	<b>69</b>	<b>105</b>	<b>33</b>	<b>19,792</b>	<b>31</b>
<b>Total Small Business</b>	<b>274</b>	<b>97</b>	<b>35,548</b>	<b>96</b>	<b>9</b>	<b>3</b>	<b>1,453</b>	<b>4</b>
<b>TOTAL LOANS</b>	<b>482</b>	<b>81</b>	<b>79,726</b>	<b>79</b>	<b>114</b>	<b>19</b>	<b>21,245</b>	<b>21</b>

**Geographic and Borrower Distribution:**

The geographic distribution performance criterion focuses on the bank's lending penetration in the assessment area among geographies of different income levels, with a specific emphasis placed on the bank's performance in LMI geographies. The borrower distribution performance criterion evaluates the bank's loan originations to borrowers of different income levels and businesses of varying revenue levels. This criterion places a special emphasis on loans originated to LMI individuals and to businesses with annual revenues of \$1 million or less. It is important to note that the two assessment areas in which the majority of the bank's lending occurs contain no low-income tracts, and only one of these assessment areas contains moderate-income tracts.

The bank has an adequate distribution of loans among geographies of various income levels. For the assessment areas having low- and/or moderate-income geographies, the bank also originated both home mortgage and small business loans in these geographies. The bank's distribution of home mortgage loans in LMI geographies is comparable to the percentage of owner-occupied housing units and also is comparable to the percentage of originations by aggregate lenders. Similarly, by percentage, the bank's distribution of loans among small businesses is comparable to the percentage of small businesses located in the low- and moderate-income geographies and is also comparable to the performance of the aggregate lenders. Within the Western Slope assessment area, however, the bank's small business loan originations in the moderate-income geographies is significantly less than both the percentage of small businesses and the lending levels of the aggregate lenders. Refer to Tables 2 and 3 in Appendix C for additional information on the bank's geographic distribution of loans.

WestStar Bank's distribution of loans to borrowers of different incomes is considered good. Based on demographic information, an average of 18 percent of the families residing in the assessment areas are LMI. The bank originated an average of 14 percent of its home mortgage loans to LMI families. This penetration is considered good, as LMI individuals often have income, down payment, or credit constraints that make it more difficult to obtain these

types of loans. Refer to Table 4 in Appendix C for additional information on the bank's borrower distribution of residential real estate-secured loans.

The bank's distribution of loans to businesses of various revenue levels is considered adequate. By percentage, the bank's distribution of loans among small businesses was lower than the percentage of small businesses in the assessment areas. Although the bank's performance is similar to the performance of the aggregate lenders, loans that do not have reported annual revenues are classified as loans to large businesses in the aggregate lending data. This classification most likely distorts the aggregator's lending performance with regard to small businesses. Refer to Table 5 for additional information on the distribution of loans to businesses of various revenue sizes.

### **Community Development Lending:**

This performance criterion evaluates a bank's responsiveness to community development lending opportunities in its assessment area. Refer to Table 1 in Appendix C for additional information on the bank's community development lending in each assessment area.

Overall, the bank originated nine community development loans for a total of \$2,043,777 representing a good overall performance for the institution. Although this is a decrease in the level of community development lending noted in the previous CRA evaluation, the competition for these types of loans is very strong. The majority of these loans also were originated in the Mountain and Western Slope assessment areas, where the bank has the majority of its branch locations.

### **INVESTMENT TEST**

This performance criterion evaluates the degree to which the institution's qualified investments serve affordable housing needs, assist community services targeted to LMI individuals, or enhance economic development issues in the bank's assessment area. In addition, this criterion evaluates the bank's responsiveness to available investment opportunities and the use of innovative or complex investments not routinely provided by other institutions.

The overall rating for the institution under the Investment Test is Low Satisfactory. The bank provides an adequate level of participation in qualified community development grants and has limited participation in other community development investments. Although the competition is very strong for participation in the limited opportunities available in some of the bank's rural assessment areas, investment opportunities are available in the MSA assessment areas. However, bank investments in the MSA assessment areas were minimal. In total, the bank donated \$97,879 to organizations that provide community development services. The bank also purchased a \$250,000 interest in a municipal school bond. While the bank purchased shares in several bonds, this municipal school bond qualified for CRA consideration. Proceeds from the bond sales were used to fund capital improvements to seven schools which primarily

educate LMI children. Further details of the bank's investment activities are provided in the *Investment and Grant Activity* section for each assessment area.

## **SERVICE TEST**

The overall rating for WestStar Bank under the Service Test is High Satisfactory. The bank's delivery systems are accessible to essentially all portions of the assessment area. To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. Services, including business hours, do not vary in a way that inconveniences the assessment area, particularly LMI individuals and geographies. The personnel of WestStar Bank provide a high level of community development services in the bank's overall assessment area by offering financial expertise to several organizations that benefit LMI individuals and small businesses. Details of the retail services and qualified community development services are provided in the *Retail Services and Community Development Services* sections for each assessment area.

### **Retail Services:**

This performance criterion evaluates the accessibility of the bank's branches, availability of alternative delivery systems, services and hours, and changes in branch locations. As illustrated in Table 6 of Appendix C, the bank has 1 branch in a low-income geography, 2 branches in moderate-income geographies, 9 branches in middle-income geographies, and 11 branches in upper-income geographies. Fourteen of the branches also operate cash dispensing ATMs. Four additional ATMs are available at off-premise locations in the assessment area. WestStar Bank also offers alternative 24-hour banking systems such as on-line and telephone banking. The bank's overall delivery systems are accessible to essentially all portions of the assessment area.

Two new branches were opened since the prior examination and one additional branch was relocated. Both new branches were opened in the Denver assessment area, one in a moderate-income geography and one in a middle-income geography. A new branch office was constructed in Glenwood Springs in the Mountain assessment area. Due to the new branch's close proximity to an existing branch, one existing branch in Glenwood Springs was closed and the personnel were relocated to the new office. Both the new and closed branches were located in the same middle-income geography. In addition, one grocery store branch in Glenwood Springs was closed in 2003. None of these changes in branch locations have adversely affected the accessibility of delivery systems to LMI individuals and geographies.

Overall, the bank's loan and deposit products and services, alternative banking products, and business hours and locations address the convenience and needs of its customers across the entire assessment area. The bank's hours of operation also were comparable across each assessment area.

**Community Development Services:**

Overall, WestStar Bank personnel provide a high level of community development services designed in meeting the needs of the bank's assessment areas. Bank officers and employees have assisted various community organizations by providing financial and operating expertise, fundraising assistance, and leadership to these organizations. These organizations provide services and assistance to LMI individuals, promote economic development in a particular community, or provide financial education and training to small businesses.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the broad, nondiscriminatory provisions of the Equal Credit Opportunity Act and the Fair Housing Act. The FFIEC Interagency Fair Lending Examination Procedures were used for this analysis. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Overall, satisfactory policies, procedures, and training programs have been developed to support nondiscrimination in lending activities. Further, the bank was not engaged in any other illegal credit practices inconsistent with helping to meet community credit needs.

**NONMETROPOLITAN ASSESSMENT AREA CONCLUSIONS  
Full Review**

**MOUNTAIN ASSESSMENT AREA**

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MOUNTAIN ASSESSMENT AREA**

The Mountain assessment area is the bank's most dominant assessment area, containing the bank's main office, operations center, and 11 branch offices. As of June 30, 2003, this assessment area contributes 50 percent of the bank's total deposits and based on a review of the 2002 and 2003 HMDA and CRA data, originates 56 percent of the total loans. The assessment area is comprised of five counties: Eagle, Garfield, Grand, Pitkin, and Summit. These counties are all located in the Rocky Mountain Range in the north central portion of Colorado. This area contains some of the state's largest national parks and ski and tourist resorts.

Tourism is the area's economic mainstay, resulting in an economy strongly tied to service, retail trade, and construction industries. Local employment and resident levels experience seasonal fluctuations, as many jobs are tied to tourist and recreational activities which are popular in the summer and winter months. This area is generally considered affluent, although large disparities exist in resident income levels. Strong demand exists for second homes and vacation rentals, and as a result, the area has a large stock of nonowner occupied housing, multifamily housing and rental units.

Compared to rural Colorado as a whole, the area's concentration of families is small. Based on 2000 census data, 61 percent of households are families while in statewide rural areas, 67 percent of households are families. The area also contains a large working-age population. Persons over 64 years old represents only 6 percent of the area population, while in other statewide rural areas, 11 percent of the population is over 64 years old.

Affordable housing is a significant issue for the area. The area's median housing stock of \$243,483 as of 2000 is substantially higher than other rural areas of the state. According to September 2003 data from the Colorado Division of Housing, the median price of a single-family home in the area ranges from a low of \$262,500 in Garfield County to a high of \$392,857 in Pitkin County. This high cost of housing creates financial stress for the majority of working class individuals in the area. The major area employers and government entities are, therefore, forced to confront these housing issues in order to attract and retain employees. Many initiatives have been undertaken in the past few years to address affordable housing issues. Through active local governments and housing authorities, the stock of affordable housing has increased, and many of these units are targeted to local workers.

In an effort to obtain a perspective on local economic conditions and possible credit needs in the assessment area, a community contact was made with a city official in Glenwood Springs. In conjunction with other CRA examinations, four additional contacts also were made relative

to this assessment area in the towns of Vail, Eagle, and Breckenridge during the year preceding the examination date in conjunction with other examinations. In general, contacts noted that low snow pack levels in the past few years contributed to a loss in sales tax revenues because of reduced area skier visits. However, construction activities, especially in the commercial sector, have contributed to an overall stable economy. Area population growth has continued, fueling rises in housing prices. Overall, local initiatives to meet affordable housing demand are effective, with much of the affordable housing demand being absorbed by mobile home units.

Exhibit 4 provides an overview of the demographics of the Mountain assessment area derived from 2000 census data.

<b>EXHIBIT 4 MOUNTAIN ASSESSMENT AREA DEMOGRAPHICS</b>								
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	2,970	9.4
Moderate-income	0	0.0	0	0.0	0	0.0	4,059	12.8
Middle-income	7	29.2	7,893	24.9	319	4.0	6,532	20.6
Upper-income	17	70.8	23,815	75.1	981	4.1	18,147	57.2
<b>Total Assessment Area</b>	<b>24</b>	<b>100.0</b>	<b>31,708</b>	<b>100.0</b>	<b>1,300</b>	<b>4.1</b>	<b>31,708</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	% by type	% by tract	#	%	#	%
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	12,825	7,131	21.5	55.6	4,493	35.0	1,201	9.4
Upper-income	71,813	25,966	78.5	36.2	14,789	20.6	31,058	43.2
<b>Total Assessment Area</b>	<b>84,638</b>	<b>33,097</b>	<b>100.0</b>	<b>39.1</b>	<b>19,282</b>	<b>22.8</b>	<b>32,259</b>	<b>38.1</b>
	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	1,746	20.1	1,525	20.1	151	18.2	70	23.0
Upper-income	6,960	79.9	6,048	79.9	678	81.8	234	77.0
<b>Total Assessment Area</b>	<b>8,706</b>	<b>100.0</b>	<b>7,573</b>	<b>100.0</b>	<b>829</b>	<b>100.0</b>	<b>304</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>87.0</b>		<b>9.5</b>		<b>3.5</b>

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MOUNTAIN ASSESSMENT AREA**

The overall conclusions regarding the Lending, Investment, and Service Tests for this assessment area are summarized in the following sections. Supporting information for each test is divided into performance characteristics under each test.

### **LENDING TEST**

WestStar Bank's lending performance in the Mountain assessment area is rated Low Satisfactory. The geographic distribution of lending based on the income level of the geography is considered adequate. The distribution of lending based on borrower profile is also adequate. The bank made five community development loans and occasionally makes use of innovative and flexible lending practices.

#### **Lending Activity:**

The bank's lending activity in the Mountain assessment area reflects a good responsiveness to the credit needs in the area. Refer to Table 1 in Appendix C for the information used to evaluate the bank's lending activity. Approximately 56 percent of Colorado loans are in the Mountain assessment area, similar to the percentage of deposits of 50 percent. This indicates the bank is lending in the community where deposits are being accepted. The bank's mortgage division is also very active in originating residential real estate loans in this assessment area. In 2002 and 2003, the mortgage division originated 1,225 loans totaling \$419,442,486. Of these loans, 22 for \$3,616,780 were originated under first-time buyer programs targeted to LMI borrowers. None of these mortgage division loans are reflected in Table 1 in Appendix C, as WestStar Mortgage acts as a broker in these transactions. However, by employing specialists in secondary market residential real estate lending, the bank is more readily able to competitively meet the mortgage loan needs of the assessment area. In its role as broker, the bank actively works with customers to obtain the mortgage product which best fits their needs.

#### **Geographic Distribution:**

The geographic distribution of home mortgage loans among geographies of various income levels is considered adequate. The Mountain assessment area does not contain any low- or moderate-income geographies. The bank's largest percentage of home mortgage loans is originated in the upper-income census tracts. This is consistent with the percentage of owner-occupied units in the area, as 78 percent of all units are located in the upper-income geographies. However, the bank's penetration of home mortgage lending in the middle-income geographies is less than the percentage of owner-occupied units in those tracts and is also below the levels originated by the other aggregate lenders. Refer to Table 2 in Appendix C for additional information on the bank's home mortgage lending in this assessment area.

The geographic distribution of small business loans also is adequate. The majority of small business loan originations was to businesses located in the upper-income geographies. Demographically, most of the small businesses located in the assessment area are in the upper-income geographies. However, the percentage of small business loans originated to businesses located in the middle-income geographies was less than the percentage of businesses located there. The bank's lending levels in the middle-income tracts also were less than those of the other aggregate lenders. Refer to Table 3 in Appendix C for additional information on the bank's small business lending in this assessment area.

**Distribution by Borrower Income and Revenue Size of the Business:**

The bank's home mortgage loan activity to borrowers of different income levels was considered in this analysis. Overall, the bank originated 9 percent of its home mortgage loans to LMI borrowers, which is considered good. The bank's penetration to LMI borrowers is less than the percentage of LMI families in the assessment area. However, these borrowers often have financial constraints that inhibit their ability to obtain mortgage loans. In addition, 4 percent of the area's families are below poverty level, and most of these families would be categorized as low- or moderate-income. The bank's percentage of lending to low-income borrowers exceeds the performance of the aggregate lenders and is similar to the levels of the aggregate lenders to moderate-income borrowers. Refer to Table 4 in Appendix C for additional details.

The bank's level of lending to businesses with gross annual revenues of \$1,000,000 or less in the Mountain assessment area is adequate. As shown in Table 5 of Appendix C, 87 percent of the businesses operating in the assessment area had revenues of \$1,000,000 or less. WestStar Bank's loan penetration of 59 percent is significantly less than the percentage of small businesses. However, 73 percent of the bank's loans to businesses, regardless of revenue size, are in amounts of \$100,000 or less, indicating willingness by the bank to lend in small dollar amounts. Management stated that many of the small businesses in the area employ less than five people and typically do not have borrowing needs. Management also stated that the demographic data does not accurately capture the businesses that actually borrow money and have financing needs. Aggregate lending data supports these statements, as 39 percent of all aggregate lending was to businesses with revenues of \$1,000,000 or less. It should be noted, however, that within the aggregate lending data, loans that do not have reported annual revenues are classified as loans to large businesses. Due to this classification, the performance of the aggregate lenders most likely is underestimated.

**Community Development Lending:**

This performance criterion evaluates a bank's responsiveness to community development lending opportunities in its assessment area. In consideration of the bank's resources, abilities, and opportunities in the Mountain assessment area, the bank's level of community development lending is considered high. WestStar Bank originated five community development loans totaling \$1,176,814.



The proceeds of all five loans were used to fund affordable housing projects in the assessment area. Two loans were originated to the owner of a mobile home park to finance improvements to the property. This park provides mobile home lots at a rent of \$300 per month. The park provides affordable housing for many of the workers who commute to Glenwood Springs, Vail, and Eagle. One loan was used to fund cost overruns of an 88 lot affordable housing development which will be comprised of modular homes. The proceeds from the final two loans were used to fund a 39 lot subdivision in Garfield County. In accordance with county guidelines, 23 percent of the lots will be designated for affordable housing. The bank was credited with a proportionate amount of the two loans for this assessment area's community development lending test.

The bank competes with several other local financial institutions for community development loans. One community contact, referring specifically to Eagle County, considers the area to be "overbanked." Major competitors in this market include Alpine Bank, Wells Fargo, FirstBanks, and Community First National Bank. Therefore, the bank's origination of five loans is indicative of a high level of responsiveness and innovation in making community development loans.

## **INVESTMENT TEST**

This test evaluates the degree to which the institution's qualified investments serve affordable housing needs, assist community services targeted to LMI individuals, or enhance economic development issues in the assessment area. In addition, this criterion evaluates the bank's responsiveness to available opportunities and the use of innovative or complex investments.

WestStar Bank's performance in the Mountain assessment area is rated Low Satisfactory. The bank has an adequate level of qualified community development investments in this assessment area. Although some securities investments are available in the assessment area, the competition for participation in these investments also is strong. As a result, the bank did not participate in any community development investments in this assessment area. However, the bank did provide community development grants to the area in the form of charitable contributions. Between October 1, 2002 and June 30, 2004, the bank provided \$24,298 in charitable contributions to 12 community development organizations.

The bank's donations supported various community organizations. Three organizations provide programs for at-risk, LMI youth. One program provides affordable housing to local LMI families. Six other organizations provide health and social services which primarily benefit LMI individuals and families. These services include counseling, literacy education, housing, food assistance, and crisis intervention. Finally, two donations were made to scholarship funds for LMI students. One scholarship provides tuition at a local private elementary school and the other provides money for college tuition.

WestStar Bank also provides no fee accounts to local attorneys to benefit the Colorado Lawyer Trust Account Foundation (COLTAF) and to local realtors to benefit the Colorado Association of Realtors Housing Opportunity Foundation (CARHOF). In addition to these deposit accounts

having no service or activity fees, they also earn interest at a premium rate. The interest earned on these accounts is used to provide legal services and affordable housing assistance to the state's low-income citizens. The bank paid \$10,625 in premium interest to these accounts during the previous two years.

Throughout 2004, the bank has provided free office space to the Habitat for Humanity of Grand County, which builds affordable housing units for LMI families. The monthly rental value of this office space is \$550.

Overall, the bank provides a high level of charitable contributions to worthy organizations throughout this assessment area. Many of the funded organizations do not have a primary purpose in community development activities; however, community contacts stated that all of the local banks are responsive to area needs and contribute as resources allow. However, innovative or complex investment opportunities are limited.

## **SERVICE TEST**

The Mountain assessment area's rating under the Service Test is High Satisfactory. The bank's delivery systems are accessible to essentially all portions of the assessment area. Services, products, and business hours do not vary in a way that inconveniences the needs of certain portions of the assessment area. Bank officers and employees also contribute their financial expertise to a relatively high number of community development service organizations.

### **Retail Services:**

This criterion evaluates the accessibility of the bank's branches, availability of alternative delivery systems, services, and hours and changes in branch locations. Refer to Table 6 for the information used to evaluate the bank's retail services.

WestStar Bank has 12 offices, 8 of which also have cash dispensing ATMs, as well as 2 off-premise cash dispensing ATMs in the Mountain assessment area. The offices are located in the towns of Aspen, Avon, Breckenridge, Dillon, Edwards, Frisco, Glenwood Springs, Granby, Gypsum, and Vail. Two branches and two off-premise ATMs are located in middle-income tracts, and the remaining offices and ATMs are located in upper-income tracts. Delivery systems are accessible to essentially all portions of the assessment area. The bank also offers alternative 24-hour banking systems such as on-line and telephone banking. On-line features include branch location and product information, personal deposit account information, interaccount transfers, statement and check copies, and bill payment.

The bank relocated one branch in this assessment area in September 2004 and also closed a supermarket branch in October 2003. Both of these activities occurred in the town of Glenwood Springs in Garfield County, and the geographies affected were middle-income. The bank's services do not vary in a way that inconveniences certain portions of the assessment

area, particularly LMI individuals. Also, the bank's services and business hours are generally convenient to customers. Branch hours are generally 9 a.m. to 5 p.m., Monday through Thursday, 9 a.m. to 6 p.m. on Friday, and 9 a.m. to 12 p.m. on Saturday. However, hours vary slightly among the branches as needed to meet customer needs.

**Community Development Services:**

This criterion evaluates the extent of bank personnel's involvement in community development services, the innovativeness of those services and the degree to which they serve LMI individuals. Qualified community development services, include services that have as their primary purpose community development, are related to the provision of financial services and have not been considered in the evaluation of the bank's other retail banking services.

Bank personnel provide a relatively high level of community development services to the Mountain assessment area. Bank officers and staff have contributed 523 hours to eight different qualified organizations. They have served on boards of directors or on organizational committees and have provided expertise in the operation, fundraising, financial planning, and management of these organizations. Two organizations promote affordable housing and down payment assistance initiatives in the area. Four organizations provide basic needs to LMI individuals and families, including housing, food, clothing, and healthcare. One organization provides college scholarships to LMI youth. Finally, one organization provides specialized financing to small businesses in the area.

The bank also provides free bookkeeping and computer services to a local scholarship fund. The scholarship is targeted to LMI students in the Glenwood Springs area and assists them with college tuition.

**NONMETROPOLITAN ASSESSMENT AREA CONCLUSIONS  
Full Review**

**WESTERN SLOPE ASSESSMENT AREA**

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE WESTERN SLOPE  
ASSESSMENT AREA**

The Western Slope assessment area is comprised of three counties on the western side of Colorado: Delta, Montrose, and San Miguel. This assessment area houses five branch offices which produce 33 percent of the bank's total deposits and 20 percent of its total loan originations. According to the FDIC Market Share Report dated June 30, 2003, WestStar ranked second in deposit market share in this assessment area. Major competitors in this market include Wells Fargo Bank, Commercial Federal Bank, Montrose Bank, and Community First National Bank.

The demographics and economies of the counties included in this assessment area are diverse. San Miguel County is home to the very affluent town of Telluride, which includes the Telluride Ski Resort. As a result, the economy is heavily reliant upon tourism and associated industries. This county has demographic characteristics similar to the Mountain assessment area, where housing has a low affordability index and demand is high for second home and rental properties. According to 2000 census data, the median value of a single-family home in the county is \$358,200. However, data from the Colorado Division of Housing from September 2003 indicates the median sales price of homes in the county is \$950,000. This discrepancy in price suggests that affordable housing units are scarce, and thus, home sales in the area have been driven by wealthy buyers.

Montrose and Delta Counties possess demographic characteristics more similar to other rural areas of the state. Although tourism plays a role in the economy of Montrose County, overall these two counties are more economically diverse, containing a mix of manufacturing, agriculture, and construction related industries. These counties also have experienced high employment growth as compared to other areas. In 2003, Delta County employment growth was 4 percent while Montrose County was strong at 9 percent. In comparison, statewide employment growth was only 1 percent.

The area has become an attractive place for retirees, as evidenced by an over 64 age population of 17 percent. In rural Colorado areas as a whole, 11 percent of the population was over 64 years old. Retiree and second home demand have fueled an increase in land and housing prices in the area, but the stock of owner-occupied housing units is high and vacancy rates are low. According to September 2003 data from the Colorado Division of Housing, the median sales price of a single-family home in Delta County is \$146,250 and in Montrose County is \$152,222.

Although these counties are considered middle-income overall, pockets of low-income residents are present and are most prevalent in Delta County. These counties contain a relatively high level of families below poverty level at 9 percent.

Members of the community were contacted in order to gain a perspective of this area's economic condition and possible credit needs. A member of an economic development organization in Montrose County was contacted in conjunction with the examination. In addition, information recently obtained in connection with a performance evaluation of another financial institution located in Delta County was referenced. Contacts confirmed that population growth has been on the rise and indicated that this has created a need for infrastructure improvements.

Exhibit 5 provides detailed demographic information on the Western Slope assessment area based on the 2000 Census.

**EXHIBIT 5  
WESTERN SLOPE 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	4,220	22.6
Moderate-income	5	33.3	5,887	31.6	593	10.1	4,032	21.6
Middle-income	9	60.0	11,709	62.7	948	8.1	4,482	24.0
Upper-income	1	6.7	1,068	5.7	57	5.3	5,930	31.8
<b>Total Assessment Area</b>	<b>15</b>	<b>100.0</b>	<b>18,664</b>	<b>100.0</b>	<b>1,598</b>	<b>8.6</b>	<b>18,664</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by type	% by tract	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	9,199	5,999	30.2	65.2	2,485	27.0	715	7.8
Middle-income	18,150	12,735	64.0	70.2	3,445	19.0	1,970	10.9
Upper-income	4,424	1,153	5.8	26.1	1,299	29.4	1,972	44.6
<b>Total Assessment Area</b>	<b>31,773</b>	<b>19,887</b>	<b>100.0</b>	<b>62.6</b>	<b>7,229</b>	<b>22.8</b>	<b>4,657</b>	<b>14.6</b>
	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	1,272	39.4	1,122	38.5	97	45.6	53	51.5
Middle-income	1,457	45.1	1,344	46.2	71	33.3	42	40.8
Upper-income	499	15.5	446	15.3	45	21.1	8	7.8
<b>Total Assessment Area</b>	<b>3,228</b>	<b>100.0</b>	<b>2,912</b>	<b>100.0</b>	<b>213</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>90.2</b>		<b>6.6</b>		<b>3.2</b>

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE WESTERN SLOPE ASSESSMENT AREA**

The conclusions regarding the Lending, Investment, and Service Tests are at the beginning of each section. Supporting information is then divided into performance characteristics under each test.

### **LENDING TEST**

The overall rating for the bank's performance under the Lending Test in the Western Slope assessment area is Low Satisfactory. The geographic distribution of loans reflects adequate penetration throughout the assessment area. The distribution of loans reflects good penetration among borrowers of different income levels and an adequate penetration among businesses of different sizes. The bank exhibits an adequate record of serving the credit needs of LMI individuals and geographies and small businesses consistent with safe and sound banking practices. The bank also makes an adequate level of community development loans.

#### **Lending Activity:**

The bank's lending activity in the Western Slope assessment area reflects a good responsiveness to credit needs in the area. Refer to Table 1 of Appendix C for the information used to evaluate the bank's lending activity. Approximately 20 percent of bank loans are in the Western Slope assessment area, which is consistent with assessment area deposits of 33 percent. This indicates the bank is lending in the community where deposits are being accepted. The bank's mortgage division also originates residential real estate loans in this assessment area. In 2002 and 2003, the mortgage division originated 187 loans totaling \$38,724,631. Three of these loans were originated under first-time buyer programs targeted to LMI borrowers. None of these mortgage division loans are reflected in Table 1 in Appendix C, as WestStar Mortgage acts as a broker in these transactions. However, by employing specialists in secondary market residential real estate lending, the bank is more readily able to competitively meet the mortgage loan needs of the assessment area.

The bank also participates in government-guaranteed loan programs offered through the Small Business Administration). Since 2000, the bank originated only one new SBA loan in this assessment area. This is a result of the bank's ability to originate small business loans without the use of special programs. The bank also continues to service SBA loans originated in past years.

#### **Geographic Distribution:**

The geographic distribution of home mortgage loans among geographies of various income levels in the Western Slope assessment area is considered adequate. This assessment area does not have any low-income geographies, but does contain five moderate-income

geographies. The bank originated 18 percent of its home mortgage loans in the moderate-income tracts, while 30 percent of owner-occupied units are located in these tracts. This is slightly below the percentage of loans originated by the aggregate lenders of 23 percent and is, therefore, considered reasonable. The bank's home mortgage lending activity is highest in the upper-income geography and is well in excess of the percentage of owner-occupied units in this tract. The upper-income tract is located in San Miguel County and includes the town of Telluride. The branch located in this tract is the most active in this assessment area. This is a result of employing highly effective and consistent lenders at this location. The bank's other branches in the area have experienced heavy turnover in lending personnel, and therefore, have not been as productive in generating loan volume. Refer to Table 2 in Appendix C for additional information on the bank's home mortgage lending in this assessment area.

The geographic distribution of small business loans also is adequate. Similar to the geographic distribution of home mortgage lending, a high percentage of small business loan originations was to businesses located in the upper-income geography. Once again, loan originations were lower in the moderate- and middle-income geographies because of a high level of turnover in lending personnel at branches in these geographies. Although the levels of lending in the moderate- and middle-income geographies is less than the percentage of businesses located in these geographies, the bank did originate loans in all geography types. Refer to Table 3 in Appendix C for additional information on the bank's small business lending in this assessment area.

#### **Distribution by Borrower Income and Revenue Size of the Business:**

The bank's home mortgage loan originations to borrowers of different income levels is considered good. Thirty-eight percent of the area's home mortgage loans were originated to low- and moderate-income borrowers. This level aligns with the demographic information, which indicates that 44 percent of the families in the area are LMI. In consideration of the financial constraints that bar many LMI families from home ownership, the bank's performance appears strong. The bank's lending levels also exceed those of the other aggregate lenders in the area. Refer to Table 4 in Appendix C for additional details.

The bank's level of lending to businesses with gross annual revenues of \$1,000,000 or less in the Western Slope assessment area is adequate. As shown in Table 5 of Appendix C, 90 percent of the businesses operating in the assessment area had revenues of \$1,000,000 or less. WestStar Bank's loan penetration of 66 percent is significantly less than the percentage of small businesses. However, 90 percent of the bank's loans to businesses, regardless of revenue size, are in amounts of \$250,000 or less, indicating willingness by the bank to lend in small dollar amounts. The bank's performance appears much stronger than that of the aggregate lenders in the area also. The aggregate lenders originated only 36 percent of their loans to businesses with revenues of \$1,000,000 or less. As mentioned earlier, loans that do not have reported annual revenues are classified as loans to large businesses within the aggregate lending data. Due to this classification, the performance of the aggregate lenders most likely is underestimated.

### **Community Development Lending:**

WestStar Bank originated an adequate level of community development loans in the Western Slope assessment area. Refer to Table 1 in Appendix C for information used to evaluate the bank's community development lending in this assessment area. Three community development loans totaling \$791,463 were originated in this assessment area. Two of the loans were letters of credit used to guarantee the continuation of affordable airline service into the Montrose Airport. As tourism is highly important to the local economy, the loss of airline service would severely hamper the local economy. Without the letters of credit issued by WestStar Bank, airlines would not commit continued air service to the area. A community contact from the Montrose community affirmed that airline service to the Montrose Airport is critical to the success of the local economy.

The other community development loan provided permanent financing for 18 developed lots that were designated for affordable housing. The bank participated in this loan with three other local lenders, so WestStar Bank received credit for their share of the loan pool.

### **INVESTMENT TEST**

This test evaluates the degree to which the institution's qualified investments serve affordable housing needs, assist community services targeted to LMI individuals, or enhance economic development issues in the assessment area. In addition, this criterion evaluates the bank's responsiveness to available opportunities and the use of innovative or complex investments.

WestStar Bank's performance in the Western Slope assessment area is rated Low Satisfactory. The bank has an adequate level of qualified community development investments in this assessment area. Although the availability of qualified community development investments is limited in this assessment area, the bank purchased shares of one qualified municipal bond in the amount of \$250,000. The purpose of the bond issuance was to fund capital improvements to seven schools in Montrose County. A review of the income levels of the students attending these schools indicated that four of the eight schools receiving bond monies have over 50 percent of their students in a free or reduced lunch program. As these lunch programs are funded through federal government programs, the students who receive this funding are from LMI families.

The bank also provides community development grants to the area in the form of charitable contributions. Between October 1, 2002 and June 30, 2004, the bank provided \$10,505 in charitable contributions to five community development organizations. The majority of the bank's donations in this assessment area went to one organization which disburses funds to hundreds of charitable organizations in the area. A review of the beneficiaries of the distributions indicated that 20 percent of the organizations specifically provided food, shelter, clothing and other services to LMI individuals. Therefore, the bank was credited with 20 percent of their total donation to this organization.



WestStar 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. In addition to these deposit accounts having no service or activity fees, they also earn interest at a premium rate. The interest earned on these accounts is used to provide legal services and affordable housing assistance to the state's low-income citizens. The bank paid \$6,787 in premium interest to these accounts during the previous two years.

Overall, the bank provides a high level of charitable contributions to worthy organizations throughout this assessment area. However, many of the funded organizations do not have a primary purpose in community development and could not be considered in this evaluation. Community contacts stated that all of the local banks are responsive to area needs and contribute as resources allow.

## **SERVICE TEST**

The Western Slope assessment area's rating under the Service Test is High Satisfactory. The bank's delivery systems are accessible to essentially all portions of its assessment area. Services, products, and business hours do not vary in a way that inconveniences the needs of certain portions of the assessment area. Bank officers and employees contribute their financial expertise to an adequate number of community service organizations.

### **Retail Services:**

This criterion evaluates the accessibility of the bank's branches, availability of alternative delivery systems, services, and hours and changes in branch locations. Refer to Table 6 in Appendix C for the information used to evaluate the bank's retail services in this assessment area.

WestStar Bank has five branches with ATMs, as well as one off-premise cash dispensing ATM, in the Western Slope assessment area. The branches are located in the towns of Cedaredge, Delta, Norwood, Montrose, and Telluride. Four branches are located in middle-income tracts and one branch is located in an upper-income tract. The one off-premise ATM is located in a moderate-income tract. Delivery systems are accessible to essentially all portions of the assessment area. The bank also offers alternative 24-hour banking systems such as on-line and telephone banking. On-line features include branch location and product information, personal deposit account information, interaccount transfers, statement and check copies, and bill payment.

The bank has not opened or closed any branches in this assessment area since the previous CRA evaluation. The bank's services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI individuals. Also, the bank's services and business hours are generally convenient to customers. Branch hours are generally 8:30 a.m. to 5:00 p.m., Monday through Friday, but extended hours are also available on Friday and

Saturday. However, hours vary slightly among the branches to satisfy the needs and traffic patterns of the local community.

**Community Development Services:**

This criterion evaluates the extent of bank personnel's involvement in community development services, the innovativeness of those services, and the degree to which they serve LMI individuals. Qualified community development services include services that have as their primary purpose community development, are related to the provision of financial services and have not been considered in the evaluation of the bank's other retail banking services.

Bank personnel provide an adequate level of community development services to the Western Slope assessment area. Bank officers and staff have contributed 250 hours to three qualified organizations. They have served on boards of directors or on organizational committees and have provided expertise in the operation, fundraising, financial planning, and management of these organizations. One organization offers a loan incubator program in conjunction with the Colorado Rural Development Council and provides financing for local businesses that will assist in the revitalization and development of the town of Cedaredge. Another organization is a charitable organization that collects and funds hundreds of nonprofit organizations in the area. Many of these organizations provide services, food, shelter, education, and clothing to local LMI individuals. The third organization works to raise money and obtain financial guarantees to ensure the continuation of airline service to the area. As the majority of passenger seats on flights into the area are occupied by tourists, the continuation of flight service from other major U.S. cities is critical to maintaining local economic viability. The bank also donates a conference room to this organization to use for monthly board and customer meetings.

**METROPOLITAN AREAS  
Limited-Scope Reviews**

**DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE DENVER, ESTES PARK,  
AND GRAND JUNCTION ASSESSMENT AREAS**

**Denver MSA**

The Denver assessment area is comprised of three counties, Denver, Arapahoe, and Jefferson, in the Denver MSA. This area is comprised of 390 census tracts, of which 19 are low-income, 101 are moderate-income, 163 are middle-income, and 105 are upper-income. This assessment area contains four of the bank's branches, two of which have opened since the previous CRA evaluation. One branch is located in a low-income tract, one branch is located in a moderate-income tract, and two branches are located in middle-income tracts.

The Denver MSA contains the largest population center in the state. Service, government, and retail industries are the area's primary employment sectors. The area has experienced an economic decline during the past two years, impacted primarily by the fall in value of many local high technology businesses. This slowing economy has contributed to declining employment and housing permit levels, as well as high office vacancy rates. However, an anomaly in the value of residential real estate has occurred throughout this economic decline, as median housing values have continued to rise. As of 2003, the area median housing value is \$237,775.

The area is a middle-income area overall with a median family income of \$60,530. However, 29 percent of area families are LMI, with 6 percent of the families below poverty level. In consideration of median housing values, affordable housing is an issue for the area, especially as increases in housing prices have outpaced increases in wage levels.

In this assessment area, the bank's strategic focus is on commercial lending. This assessment area contains a lower concentration of small businesses than other areas of the state, with 84 percent of businesses with revenues less than \$1,000,000.

**Estes Park**

The Estes Park assessment area consists of only two middle-income tracts within the Ft. Collins-Loveland MSA. These two tracts encompass the town of Estes Park and the surrounding area. Serving as the east entrance to Rocky Mountain National Park, the area is nestled in the foothills of the Rocky Mountains. Primarily because of its geographic location, the area is dotted with small service and retail businesses, and tourism is crucial to the economy. The bank operates one branch in this assessment area.

Based on 2000 census data, the area population is 12,466. The area also contains a large concentration of individuals over 64 years old, indicating the area has become a popular

retirement community. This demographic is also supported by the area housing stock, which contains a high level of seasonal, nonowner-occupied homes. Area housing is considered expensive, with a 2000 median value of \$236,175, which is 40 percent higher than the MSA as a whole. As 34 percent of area families are LMI, affordable housing is once again a concern and need for the community.

### **Grand Junction**

Mesa County, which lies between the west central border of Colorado and the Continental Divide, comprises the MSA and the Grand Junction assessment area. The area is home to the Colorado National Monument and Grand Mesa National Forest, and the Bureau of Land Management controls a large portion of the MSA's land.

The MSA owes much of its economy to tourism but also serves as a regional hub for medical and government services and has many light manufacturing industries. The area has been economically stronger than most other areas of the state during the past two years. This strong economy, including an increase in labor demand, is expected to continue due to the recent discovery of large natural gas deposits just east of the area.

The MSA is comprised of 28 tracts, of which 5 are moderate-income, 16 are middle-income, and 7 are upper-income. Overall, the area is a moderate-income part of the state with a 2000 median family income of \$43,009. Housing is generally affordable and the area owner-occupancy rate is 69 percent. Much of the affordable housing needs seem to be addressed through mobile home stock. The area population based on 2000 census data is 116,255 and includes a high concentration of individuals over 64 years of age.

The bank operates one branch in this assessment area which is located in a moderate-income tract.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DENVER, ESTES PARK, AND GRAND JUNCTION ASSESSMENT AREAS**

Information reviewed, including performance information, can be found in Appendix C. Conclusions regarding the bank's performance in the assessment areas where limited reviews were conducted are as follows:

<b>Assessment Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
Denver	Consistent	Consistent	Consistent
Estes Park	Consistent	Below	Below
Grand Junction	Consistent	Exceeds	Consistent

**CRA APPENDIX A**

<b>SCOPE OF EXAMINATION</b>		
<b>TIME PERIOD REVIEWED</b>	Community Development Loans, Investments, Services, and Branching: October 1, 2002 to June 30, 2004  HMDA and CRA Loan Data: January 1, 2002 to December 31, 2003	
<b>FINANCIAL INSTITUTION</b>  WestStar Bank Vail, Colorado		<b>PRODUCTS REVIEWED</b>  <ul style="list-style-type: none"> <li>• Home Purchase Loans</li> <li>• Home Refinance Loans</li> <li>• Home Improvement Loans</li> <li>• Community Development Loans</li> <li>• Business Loans</li> </ul>
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
Vail Banks, Inc.	Holding Company	None
First Western Mortgage Services, Inc.	Sub of WestStar Bank, merged as division of bank as of September 2004	HMDA loans for 2002 and 2003

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>		
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>
Mountain AA Nonmetropolitan Colorado	Full Scope	1901 Grand Avenue Glenwood Springs, CO 81601
Western Slope AA Nonmetropolitan Colorado	Full Scope	None
Denver AA Denver MSA Colorado	Limited Scope	4600 S. Ulster Street Denver, CO 80207  3401 Quebec Street Denver, CO 80207
Estes Park AA Ft. Collins-Loveland MSA Colorado	Limited Scope	None
Grand Junction AA Grand Junction MSA Colorado	Limited Scope	2448 F Road Grand Junction, CO 81505

**Note:** Branches visited indicates where technical compliance with the CRA was confirmed. The evaluation of the bank's CRA performance takes into consideration activity from all branch locations, as described in the Scope of Examination.

## CRA APPENDIX B

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Block numbering area (“BNA”):** A statistical subdivision of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race,

gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited review:** Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median-family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** Any primary metropolitan statistical area (PMSA), metropolitan statistical area (MSA), or consolidated metropolitan statistical area (CMSA), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.



**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**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) and the Thrift Financial Reporting ("TFR") instructions. 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

**CRA APPENDIX C**  
**CRA CORE TABLES**

**Table 1. Lending Volume**

LENDING VOLUME		State: CO		Evaluation Period: JANUARY 01, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area	% of Rated Area Loans (#) in MSA/AA <sup>***</sup>	Home Mortgage		Small Loans to Businesses		Community Development Loans <sup>*</sup>		Total Reported Loans		% of Rated Area Deposits in MSA/AA <sup>**</sup>
		#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	
<b>Full Review:</b>										
Mountain Assessment Area	55.78	144	32,568	129	18,142	5	1,177	278	51,887	7.18
Western Slope Assessment Area	19.83	40	5,056	50	5,854	3	791	93	10,951	2.60
<b>Limited Review:</b>										
Denver Assessment Area	9.46	10	1,814	35	5,982	0	0	45	7,796	77.6
Estes Park Assessment Area	9.97	5	894	44	2,747	1	76	50	3,717	8.89
Grand Junction Assessment Area	4.96	7	1,158	16	2,823	0	0	23	3,981	3.73

\* The evaluation period for Community Development Loans is OCTOBER 1, 2002 TO JUNE 30, 2004.

\*\* Deposit data as of 2003. Rated area refers to the state MSA rating area.

\*\*\* Loan data as of 2003. Rated area refers to the state MSA rating area.

**TABLE 2. Geographic Distribution of Home Mortgage Loans**

Geographic Distribution: HOME MORTGAGE LOANS														STATE: CO		Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003										
MA/Assessment Area:	Total Home Mortgage Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income <sup>†</sup>															
	#	% of Total <sup>**</sup>	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	Low	Mod	Mid	Upper												
<b>Full Review:</b>																										
MOUNTAIN	144	69.90	0.00	0.00	0.00	0.00	21.55	5.56	78.45	94.44	0.00	0.00	14.16	85.09												
WESTERN SLOPE	40	19.42	0.00	0.00	30.17	17.50	64.03	32.50	5.80	50.00	0.00	23.05	55.86	19.76												
<b>Limited Review:</b>																										
DENVER	10	4.85	2.36	10.00	20.58	20.00	45.95	30.00	31.11	40.00	3.21	19.92	44.44	31.17												
ESTES PARK	5	2.43	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	100.00	0.00												
GRAND JUNCTION	7	3.40	0.00	0.00	14.19	14.29	60.18	57.14	25.63	28.57	0.00	16.61	60.40	22.98												

\* Based on 2003 Aggregate HMDA data only

\*\* Home mortgage loans originated and purchased in the MA/AA as a percentage of all home mortgage loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**TABLE 3. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES														STATE: CO		Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003			
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income								
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upper					
<b>Full Review:</b>																			
MOUNTAIN	129	47.08	0.00	0.00	0.00	0.00	20.06	11.63	79.94	88.37	0.00	0.00	14.21	62.28					
WESTERN SLOPE	50	18.25	0.00	0.00	39.41	16.00	45.14	36.00	15.45	48.00	0.00	34.01	41.68	11.37					
<b>Limited Review:</b>																			
DENVER	35	12.77	5.23	8.57	26.39	20.00	38.64	51.43	29.74	20.00	4.23	24.34	36.57	31.21					
ESTES PARK	44	16.06	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	100.00	0.00					
GRAND JUNCTION	16	5.84	0.00	0.00	26.78	37.50	51.63	37.50	21.59	25.00	0.00	25.60	47.44	21.16					

\* Based on 2003 Aggregate Small Business Data.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet.

**TABLE 4. Borrower Distribution of Home Mortgage Loans**

Borrower Distribution: HOME MORTGAGE LOANS		STATE: CO		Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003										
MA/Assessment Area:	Total Home Mortgage Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data			
	#	% of Total	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upper
<b>Full Review:</b>														
MOUNTAIN	144	69.90	9.37	3.42	12.80	5.58	20.60	20.15	57.23	70.85	1.15	6.15	15.17	64.78
WESTERN SLOPE	40	19.42	22.61	22.50	21.60	15.00	24.01	20.00	31.78	42.50	7.28	19.53	20.62	37.84
<b>Limited Review:</b>														
DENVER	10	4.85	19.03	20.00	19.07	0.00	23.31	30.00	38.59	50.00	7.01	25.61	23.49	28.07
ESTES PARK	5	2.43	13.73	20.00	20.45	40.00	27.30	20.00	38.52	20.00	3.06	14.90	20.00	45.51
GRAND JUNCTION	7	3.40	17.39	14.29	19.63	0.00	23.70	0.00	39.28	85.71	5.19	16.95	23.05	39.48

\* Based on 2003 Aggregate HMDA Data.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home mortgage loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**TABLE 5. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		STATE: CO			Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003					
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data		
	#	% of Total**	% of Businesses***	% BANK Loans	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less	% of total
<b>Full Review:</b>										
MOUNTAIN	129	47.08	86.99	58.92	95	12	22	11,101	4,307	38.80
WESTERN SLOPE	50	18.25	90.21	66.00	32	13	5	3,570	1,392	38.99
<b>Limited Review:</b>										
DENVER	35	12.77	84.17	42.86	21	8	6	60,072	20,213	33.65
ESTES PARK	44	16.06	91.21	86.36	38	4	2	634	245	38.64
GRAND JUNCTION	16	5.84	89.41	81.25	9	5	2	5,582	1,808	32.39

\* Based on 2003 Aggregate Small Business Data.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses.

**TABLE 6. Distribution of Branch Delivery Systems**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS								STATE: CO		Evaluation Period: OCTOBER 1, 2002 TO OCTOBER 4, 2004							
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upper			Low	Mod	Mid	Upper	Low	Mod	Mid	Upper
<b>Full Review:</b>																	
MOUNTAIN	7.14	12	52.17	0	0	2	10	1	2	0	0	-1	0	0.00	0.00	22.33	77.67
WESTERN SLOPE	2.56	5	21.74	0	0	4	1	0	0	0	0	0	0	0.00	32.67	59.59	7.75
<b>Limited Review:</b>																	
DENVER	77.78	4	17.39	1	1	2	0	2	0	0	+1	+1	0	5.39	27.13	42.51	24.97
ESTES PARK	8.81	1	4.35	0	0	1	0	0	0	0	0	0	0	0.00	0.00	100.00	0.00
GRAND JUNCTION	3.71	1	4.35	0	1	0	0	0	0	0	0	0	0	0.00	17.70	60.49	21.81