



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 7, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Stratton
Charter Number 11197**

**141 Colorado Avenue
Stratton, CO 80836**

**Comptroller of the Currency
Denver Field Office
1099 18th Street, Suite 2650
Denver, CO 80202**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

First National Bank of Stratton (FNB) is rated “Outstanding.”

- The bank has an excellent record of lending to farms of different revenue sizes.

The distribution of loans to agricultural borrowers reflects very good penetration among farms, particularly small farms. Small farms are defined as having annual revenues less than \$1 million. Based on 20 borrowers sampled, the bank’s distribution of loans to small farms exceeds the demographic percentage of small farms located in the assessment area (AA). One hundred percent of the bank’s sampled loans were to small farms.

- The bank originates a majority of its loans in the AA.

FNB originated 85 percent by number and 98 percent by dollar volume of agricultural-related loans within its AA.

- The bank recently extended a community development loan as part of the Beginning Farmer Program. This program is available through the Colorado Agricultural Development Authority (CADA) to encourage the investment of private capital in the agricultural sector. The program’s purpose is to make low-interest loans available to new producers.
- Bank management contributes a high level of community development services through the provision of financial expertise to Stratton Development Corporation. This organization’s purpose is to attract new businesses to the area. The bank also took a leadership role in coordinating the development of a \$2 million financial package for an affordable housing program that has 20 units located among several towns in the assessment area. Program funding was obtained through grants from the Colorado Housing Authority (CHFA), Housing and Urban Development (HUD), and the Colorado Department of Housing.
- The quarterly average loan-to-deposit ratio calculated since the last CRA examination is very good.

FNB’s average loan-to-deposit ratio over the past 22 quarters is very good. The average ratio of 84 percent compares favorably to ratios of six similarly situated banks in size and product mix. The average loan-to-deposit ratio for these institutions ranges from 29 percent and 74 percent.

- An analysis of the geographic distribution of loans was not applicable since the AA does not have any low- or moderate-income geographies.
- FNB has not received any consumer complaints regarding its CRA performance during the evaluation period.

- An analysis of the 2001 and 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in conjunction with the CRA evaluation. The latest comprehensive fair lending examination was performed in 1997.

DESCRIPTION OF INSTITUTION

FNB is a \$42 million bank located in the rural community of Stratton, Colorado. The bank has one branch located in Seibert, Colorado. The bank has one automated teller machine (ATM) located at the main bank in Stratton. Clark Insurance Agency is a wholly owned subsidiary of the bank. FNB is owned by Stratton Bancshares, Inc., a one-bank holding company with assets of \$42 million as of December 31, 2002.

FNB's net loans to total assets are 60 percent as of December 31, 2002. The bank's primary loan product is agricultural loans, comprising 72 percent of the dollar volume of loans. Commercial loans represent 15 percent, consumer loans are six percent, and residential loans are five percent by dollar volume. The remaining two percent is comprised of leases and all other loans.

FNB received a "Satisfactory" rating at the last CRA examination, dated September 24, 1997. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the designated assessment area.

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

DESCRIPTION OF KIT CARSON COUNTY

The bank's has designated Kit Carson County, located on the east central plains of Colorado, as its AA. The community is rural and is not in a designated Metropolitan Statistical Area (MSA). The AA consists of three census tracts, all of which are middle income. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas.

Towns in the area include Stratton, Burlington, Seibert, Flagler, and Vona. Burlington is the county seat. The total county population is approximately 8,000 based on 2000 U.S. Census Bureau statistics. County population has increased 12 percent over the last decade, according to same statistics. The 2002 Department of Housing and Urban Development (HUD) updated non-MSA median family income for the AA is \$46,000. The percent of families by income level for the AA is as follows: low income 21 percent, moderate income 17 percent, middle income 26 percent, and upper income 36 percent. Area unemployment is low due to a declining workforce.

The county encompasses an area of 2,171 square miles. Of the county's total acreage, 97 percent

is reported to be in farmland according to the 1997 Census of Agriculture. Over the past decade, the number of farms has decreased and average farm size has increased. Kit Carson County ranks among the top counties in Colorado for production in winter wheat, sunflower seeds, corn, and dry beans.

Area bank competition is high. There are a total of seven community banks within Kit Carson County. The banks range in asset size from \$25 million to \$46 million. All are primarily agricultural lenders. Additional competition for loans comes from non-financial institutions that finance farm equipment and other agricultural borrowing needs.

The economy of the AA is stable overall, but prolonged drought conditions on the eastern plains have impacted the county economic picture. Cattle prices remain stable although crop production was poor in 2002. Major businesses in the area include the Stratton Equity Coop, Kit Carson County Hospital, Kit Cason County Correctional Center, and K.C. Electric Association. A medical clinic was recently opened in Stratton, enhancing medical facilities that were previously only available in Flagler and Burlington.

We made one community contact in conjunction with this examination. A local community development organization indicated the economy is stable. The greatest credit needs continue to be small farm and small business financing, as the majority of the businesses in the assessment area are small farms and related service providers.

Refer to FNB's CRA Public File for more information.