



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 10, 2011**

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

The Palisades National Bank  
(name changed to Colorado National Bank, effective 10/31/11)  
Charter Number 8004

600 West 8th  
Palisade, CO 81526-8663

Office of the Comptroller of the Currency

Denver Field Office  
1225 17th Street, Suite 450  
Denver, CO 80202-5534

**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.

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

The major factors that support this rating include:

- Palisades National Bank (PNB) originated a substantial majority of their loans within the Assessment Area (AA);
- The bank's Loan-to-Deposit ratio is reasonable;
- The bank's penetration of lending to small businesses and low- and moderate-income (LMI) borrowers exceeds the standards for satisfactory performance; and
- PNB's dispersion of business and consumer loans in LMI census tracts is reasonable given the location of the bank and strong competition within the AA.

**SCOPE OF EXAMINATION**

The scope of this examination included a full-scope review of the bank's Grand Junction MSA assessment area (AA). The examination focused on a sample review of a sample of 33 commercial and 31 consumer loans that were originated between April 30, 2007 and August 29, 2011.

**DESCRIPTION OF INSTITUTION**

Palisades National Bank (PNB) is a \$54 million financial institution located in Palisade, Colorado, on the western slope of Colorado. The bank is a wholly-owned subsidiary of Community Bank Partners, Inc., a bank holding company headquartered in Denver, Colorado. PNB received a "Satisfactory" CRA rating at the last examination dated April 30, 2007.

PNB's primary loan products consist of commercial and consumer credits. The bank's loan portfolio consists of the following types of credit (percentage by dollar amount): Commercial – 27 percent; Consumer – 43 percent; Agriculture – 17 percent; and Residential Real Estate – 13 percent.

PNB operates the main office location and three cash dispensing automated teller machines (ATM); two in Palisade, Colorado, and one in Clifton, Colorado. All facilities are located in the bank's delineated AA. The bank's main branch is a full-service facility, including one of the three ATMs. The branch is located in, and surrounded by, middle-income census tracts (CTs).

PNB closed the downtown Palisade branch on April 6, 2011. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

PNB designates the Grand Junction MSA as its assessment area (AA). This designated AA complies with applicable regulatory requirements and does not arbitrarily exclude any low- or moderate-income (LMI) areas. Grand Junction, Colorado is located in a valley at the junction of the Colorado and Gunnison Rivers on the western slope of the Rocky Mountains. The Grand Junction MSA encompasses all of Mesa County, Colorado. The city of Grand Junction is the largest community in the county and in western Colorado. Other communities in the MSA include Palisade, Clifton, Collbran, De Beque, Fruita, Mesa, and Molina.

The MSA has 28 CTs with five moderate-income tracts, sixteen middle-income tracts, and seven upper-income tracts. There are no low-income tracts. The U.S. Department of Housing and Urban Development (HUD) lists the MSA's updated median family income (MFI) as \$64,300 for 2010.

Mesa County is primarily driven by service industries and blue-collar related occupations. The top three industries driving the county are government jobs, education & health services, and retail trade. Major employers in the area include the Mesa County School District, St. Mary's Hospital and Medical Center, Wal-Mart, Halliburton Energy, and Mesa State College. Mesa County's unemployment rate is 11.1 percent as of January 2011.

The community contact indicated there is a need for commercial and LMI family mortgage loans. Barriers to obtaining credit include credit challenged borrowers and down payment requirements.

There are several competing banks within the Grand Junction MSA. These include Academy Bank, N.A.; Alpine Bank; American National Bank; Bank of Colorado; Bank of the West; Community Banks of Colorado; First National Bank of the Rockies; Grand Valley Bank; Home Loan State Bank; Timberline Bank; U.S. Bank, N.A.; Vectra Bank; and Wells Fargo, N.A. The bank's market share of deposits for FDIC-insured institutions within the AA is approximately 1.9 percent.

Please refer to PNB's CRA Public File for more information regarding the bank's assessment area, past CRA evaluations, and any public CRA comments.

<b>Demographic Information for Grand Junction MSA Assessment Area:</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	28	0% (0)	17.86% (5)	57.17% (16)	25.00% (7)	0%
Population by Geography	116,255	0%	17.70%	60.49%	21.81%	0%
Owner-Occupied Housing by Geography	33,306	0%	14.19%	60.18%	25.63%	0%
Business by Geography	19,677	0%	21.89%	52.76%	25.35%	0%
Farms by Geography	759	0%	6.72%	70.22%	23.06%	0%
Family Distribution by Income Level	31,729	0%	16.16%	59.60%	24.24%	0%
Distribution of Low and Moderate Income Families throughout AA Geographies	11,749	0%	24.23%	63.83%	11.94%	0%
Median Family Income for 2000		\$44,236	Median Housing Value - 2009	\$234,700		
HUD Adjusted Median Family Income for 2010		\$64,300	Unemployment Rate – January 2011	11.1%		
Households Below Poverty Level		10.25%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2010 HUD updated MFI.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's average loan-to-deposit (LTD) ratio is reasonable. As of June 30, 2011, the bank's 17-quarter average LTD ratio is 66.75 percent. The LTD ratios for six similarly situated banks range between 42.91 percent and 95.40 percent, with an average of 73.14 percent. Although the bank's average LTD ratio is low compared to the average LTD ratio of similarly situated banks, it is above the banks located in the same county with the same level of assets. Similarly situated banks are those banks of comparable asset size and operating in the same geographies.

### Lending in Assessment Area

Lending in the AA exceeds the standard for satisfactory performance. Based on the sample, the bank made a substantial majority of its loans within the bank's AA.

<b>Table 1 - Lending in Grand Junction MSA AA</b>										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	30	91%	3	9%	33	\$2,779	78%	\$783	22%	\$3,562
Consumer	28	90%	3	10%	31	\$371	85%	\$64	15%	\$435
Totals	58	91%	6	9%	64	\$3,150	79%	\$847	21%	\$3,997

Source: Loan sample

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

### Small Business Lending

Distribution of loans to small businesses within the Grand Junction AA is excellent. Penetration of lending to small businesses exceeds the demographic comparator by dollar amount and number. Small businesses are defined as businesses with less than \$1 million in gross annual revenues.

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in Grand Junction MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.3%	2.3%	23.4%	100%
% of Bank Loans in AA by #	93.9%	6.1%	0.0%	100%
% of Bank Loans in AA by \$	88.8%	11.2%	0.0%	100%

Source: Loan sample; U.S. Census data.

### Consumer Lending

Penetration of consumer loans to borrowers of low- and moderate-income levels is excellent. Penetration significantly exceeds the demographic comparator for both low- and moderate-income level households.

<b>Table 2B - Borrower Distribution of Consumer Loans in Grand Junction MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Household	% of # of Loans	% of AA Household	% of # of Loans	% of AA Household	% of # of Loans	% of AA Household	% of # of Loans
Consumer Loans	21.5%	28.6%	16.9%	21.4%	21.1%	28.6%	40.5%	21.4%

Source: Loan sample; U.S. Census data.

## Geographic Distribution of Loans

Palisades NB is located in and surrounded by middle-income CTs; the closest moderate-income CT is seven miles away in Clifton, CO. Four of the five moderate-income CTs are located in Grand Junction, CO, the county seat, located 12 miles west of Palisade, CO. There is strong banking competition in Grand Junction and Clifton, CO.

### *Small Business Lending*

Although lending to businesses in moderate-income CTs is well below the demographic comparator, the dispersion of loans is reasonable given the bank’s geographic location within the AA. There are no low-income CTs in the AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	0.0%	0.0%	19.6%	6.7%	54.2%	83.3%	26.2%	10.0%

Source: Loan sample; U.S. Census data.

### *Consumer Lending*

Although the percentage of consumer loans originated in moderate-income CTs is lower than the demographic comparator, the geographic dispersion of loans is reasonable due to the bank’s location within the AA. There are no low-income CTs in the AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.0%	0.0%	18.0%	7.1%	59.6%	75.0%	22.4%	17.9%

Source: Loan sample; U.S. Census data.

## Responses to Complaints

The bank has not received any complaints directly relating to CRA since the previous CRA examination. However, the bank did receive eight complaints regarding the closure of the branch located in downtown Palisade, CO, one mile from the main office location. The downtown branch closed on April 6, 2011. The bank responded

appropriately and in a timely manner to all complaints.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.