

PUBLIC DISCLOSURE

February 5, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**PITKIN COUNTY BANK AND TRUST COMPANY
942557
10-08-0058**

**534 EAST HYMAN AVENUE
ASPEN, COLORADO 81612**

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Pitkin County Bank and Trust Company, Aspen, Colorado prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of February 5, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank is actively lending in its assessment area. The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans are in the bank's assessment area. The distribution of loans reflects excellent dispersion among individuals of different income levels, businesses of different sizes, and assessment area geographies.

The following table indicates the performance level of Pitkin County Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PITKIN COUNTY BANK AND TRUST COMPANY PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints have been received since the previous examination.		

DESCRIPTION OF INSTITUTION

The main bank of Pitkin County Bank and Trust Company is located in Aspen, Colorado. The bank also has a full-service branch facility in El Jebel, Colorado, approximately 23 miles north of Aspen. Additionally, the bank has a loan production facility located approximately 100 miles south of Aspen in Telluride, Colorado. The loan production office is not a full-service facility and only accepts loan applications and makes loans. That facility does not accept deposits, nor does it dispense cash.

The bank reflected total assets of \$153,337,000 in its December 31, 1995 Report of Condition and Income (ACall Report®). The following table reflects the distribution of the bank's loan portfolio.

DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO		
Type of Loan	\$ Amount (Amounts in Thousands)	Percentag e of Total Loans
Loans Secured by Real Estate:		
Construction and Land Development	10,040	8.62
Secured by 1- to 4-family residential properties	75,199	64.58
Secured by multifamily (five or more) residential properties	50	0.04
Secured by nonresidential properties	10,102	8.68
Commercial Loans	14,907	12.80
Consumer Loans	2,422	2.08
Other	3,726	3.20
Total	116,446	

DESCRIPTION OF THE BANK-S ASSESSMENT AREA:

The bank-s assessment area does not arbitrarily exclude any low- and moderate-income areas, taking into account the bank-s size, branching structure, and financial condition. The assessment area covers portions of Pitkin, Eagle, Garfield, and San Miguel counties and includes the cities of Aspen, Snowmass Village, Basalt, Carbondale, El Jebel, and Telluride. Per 1990 census data, the core population in the assessment area is 26,742. Community contacts indicated that the area-s population almost doubles during the peak season.

The bank-s assessment area includes seven contiguous block numbering areas surrounding the main bank in Aspen and the branch in El Jebel. The assessment area also includes one noncontiguous block numbering area outside the region in Telluride where the loan production office is located. This block numbering area

is not contiguous to the others given the distance between Aspen and Telluride and the presence of a large mountain range in between which serves as a natural barrier. Although Regulation BB does not require that a financial institution include loan production offices in its assessment area, bank management choose to include all the areas in which the bank operates in its assessment area. Low- and moderate-income block numbering areas in the assessment area could not be identified. Community contacts noted that low- and moderate-income geographies are not easily identifiable because low- and moderate-income individuals are dispersed throughout the community.

The Aspen and Telluride economies are heavily dependent upon tourism and the resort industry and are considered exclusive resort areas. Market research conducted by a local radio station indicated that approximately 52 percent of Aspen's visitors earn over \$75,000 and 23 percent earn over \$115,000. The Aspen Skiing Company, The Ritz-Carlton Hotel, and the Roaring Fork Transit Authority, along with local city and county governments, are among the major employers in the Aspen area. The Peaks Hotel and Spa, Telluride Skiing Company, and local city and county governments are among the major employers in Telluride.

The Aspen and Telluride areas also boast the highest real estate and median income figures in the state. According to 1990 U.S. Census information, the median family income for the assessment area was \$45,351, higher than the median income for the State of Colorado of \$35,930. Local officials estimate that this gap has widened since the 1990 census. Many individuals working in Aspen and Telluride commute long distances due to housing availability and cost issues. According to local estimates, the average selling price for a single family home in Aspen was around \$1.5 million. Condominiums averaged a sales price around \$500,000. The average selling prices for a single-family residence in Telluride Valley and Telluride Mountain Village approximated \$580,000 and \$920,000, respectively. As a result, communities have designated some properties as deed-restricted in order to maintain a supply of affordable housing for individuals working in the Aspen and Telluride areas. Deed-restricted properties limit the annual amount of appreciation of its the property and limit the amount of rent that can be charged.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's performance under the Community Reinvestment Act is considered

outstanding. The bank has continued to respond to the needs of the community through its lending activity. This performance is reflected in the bank's loan-to-deposit ratio, its lending in the assessment area, its lending to borrowers of different income levels and businesses of different sizes, and the geographic distribution of its loans in the assessment area.

Loan to Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. Loan demand in the assessment area is high and is creating a need for consumer, small business, and real estate development loans. The bank's efforts to meet these credit needs is reflected in the type of loans made, as described previously, and the loan-to-deposit ratio. The bank's average loan-to-deposit ratio, based on 1995 quarterly Report of Condition and Income figures, was 92 percent. However, these figures include mortgages sold with recourse during the prior six months of the reporting period. Without these loans, the loan-to-deposit ratio was still more than reasonable at 88 percent.

Lending in Assessment Area

A substantial majority of loans are in the bank's assessment area. This is based on a sample of loans reviewed during the examination utilizing sampling software procedures. Three major loan types were sampled including 48 consumer purpose loans secured by real estate, 41 non-real estate secured consumer loans and 58 business loans. Ninety percent of the two consumer loan types sampled were in the assessment area. The percentage of business loans in the assessment area was slightly higher at 93 percent. Overall, the sample showed that 91 percent of the total number of loans sampled were in the bank's assessment area.

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

The distribution of loans, based on income characteristics of the assessment area, shows excellent penetration among individuals of different income levels and businesses of different sizes, given the demographics of the assessment area and the environment in which the bank operates. This data is shown on the following two tables. The first table shows the distribution of the two consumer loan types sorted by low-, moderate-, middle-, and upper-income categories. Figures for those categories were based on the assessment area's median family income

instead of the state's non-Metropolitan Statistical Area ("MSA") median family income figure. Using assessment area figures was deemed to be more appropriate given the bank's unique operating environment. Aspen and Telluride are extremely popular areas and have the highest per capita incomes and real estate prices in the state. State non-MSA figures distort the analyses as they include information from rural sections of the state which conversely, rural non-MSA sections of the state have the lowest income levels and real estate values. The second table shows the distribution of business loans by business revenues.

The distribution of non-real estate secured consumer loans shows that the bank is making loans to borrowers in all income categories. As the following table shows, the bank made as many of these type of loans to low- and moderate-income individuals it did to borrowers in the higher income categories. This is noteworthy given that community contacts estimate that low- and moderate-income individuals comprise a lower percentage of the area's population.

Results for the sample of real estate secured consumer loans reviewed are well in line with the income distribution and cost of real estate in the community. Although it initially appears that the percentage of residential secured consumer loans is disproportionately lower to low-, moderate-, and middle-income individuals, it should be noted that individuals in those income categories are typically not home owners given the high cost of real estate in the area. Additionally, high income individuals comprise the majority of the residents in the area and are the ones more likely to be able to afford homes in the assessment area.

DISTRIBUTION OF BORROWER INCOME FOR CONSUMER LOAN TYPES SAMPLED		
Income Category	Percentage of non-real estate secured consumer loans	Percentage of real estate secured consumer loans
Less than 50 percent of the area median income	16	0
At least 50 percent but less than 80 percent of the area median income	34	15

DISTRIBUTION OF BORROWER INCOME FOR CONSUMER LOAN TYPES SAMPLED		
Income Category	Percentage of non-real estate secured consumer loans	Percentage of real estate secured consumer loans
At least 80 percent and less than 120 percent of the area median income	18	10
120 percent or more of the area median income	32	75

The bank makes a substantial majority of its commercial loans to small businesses. According to the loan sample, 83 percent of the commercial loans were to small businesses or individuals with annual gross revenues less than \$1,000,000. The following table shows that the bank originates loans to businesses of different sizes as well.

DISTRIBUTION OF REVENUES FOR BUSINESS LOANS SAMPLED	
Income Category	Percentage of business loans sampled
Gross annual revenues less than \$100,000	31
Gross annual revenues between \$100,000 and \$250,000	26
Gross annual revenues greater than \$250,000 but less than \$1,000,000	26
Gross annual revenues greater than \$1,000,000	17

Geographic Distribution of Loans

The bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area. The sample showed that the bank is penetrating all blocking numbering areas in its assessment area. Furthermore, as noted previously, the bank is lending to borrowers of different income levels including low- and moderate-income borrowers, and businesses of different sizes.

Response to Complaints

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

Compliance with Antidiscrimination Laws and Regulations

There were no substantive violations of the antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Minor violations of Regulation B (Equal Credit Opportunity Act) were noted during the examination and are easily correctable by management. These findings would not lower the bank's overall CRA rating.