

# **PUBLIC DISCLOSURE**

**August 14, 2006**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Signature Bank  
Certificate Number: 57835**

**355 Eastman Park Drive  
Windsor, Colorado 80550**

**Federal Deposit Insurance Corporation  
Division of Supervision and Consumer Protection  
1910 Pacific Avenue, 19th Floor  
Dallas, Texas 75201**

**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 CRA RATING:*** This institution is rated **Satisfactory**.

This is the institution's first Community Reinvestment Act evaluation.

For this \$23 million, one-office commercial bank headquartered in the northern Colorado community of Windsor, Colorado, examiners reviewed the small bank performance factors: loan-to-deposit ratio, lending inside the assessment area, lending to businesses of different sizes, geographic distribution of loans, and response to complaints. Signature Bank received no written consumer complaints since the institution opened; therefore, examiners did not consider this factor in the overall rating. The bank did not request a review of its Investments and Services for consideration of an Outstanding CRA rating.

CRA procedures require examiners to consider the bank's performance regarding home mortgage, small business, and small farm lending. This evaluation is based upon the review of the bank's primary lending product which is commercial loans. Small farm and home mortgage loans were not reviewed because of the limited amount of bank lending in these product lines. Once the bank demonstrated at least a satisfactory level of performance regarding its lending activity and lending inside the assessment areas, lending to businesses of different sizes and geographic distribution were considered most important in arriving at overall conclusions. Conclusions for the applicable performance factors are summarized below. A detailed discussion of each factor is provided elsewhere in this Public Evaluation.

- Considering the institution's resources and business strategy as well as the assessment areas' credit needs and similar bank's ratios, the institution's average loan-to-deposit ratio of 70 percent reflects reasonable performance.
- Signature Bank's lending within the assessment area is satisfactory given the size of the assessment areas, office structure, asset size, and loan products reviewed.
- The institution's performance of lending to businesses of different sizes is satisfactory. Supporting this conclusion is a reasonable record of commercial lending to businesses with gross annual revenues less than or equal to \$1 million. The institution also demonstrated a satisfactory record of making small-sized loans.
- Signature Bank demonstrated a satisfactory record of lending among the geographies within its assessment area; however, minimal weight was given to this factor due to the assessment area consisting of only middle- and upper-income census tracts.

## **SCOPE OF EXAMINATION**

Commercial lending activities were selected to analyze the institution's lending performance as this product captures the highest dollar volume of loans, 43 percent for commercial loans, and addresses important credit needs of the assessment area. Signature Bank's lending review was based on all loans originated during the eighteen month period between December 30, 2004 and June 19, 2006. During this period, the bank originated 62 commercial loans totaling \$8,048,975. Once a majority of the lending was identified to be within the assessment area, the loans in the assessment area were utilized to draw conclusions for the lending to businesses of different sizes and geographic distribution factors. The entire portfolio was reviewed for analyzing Signature Bank's performance under the loan-to-deposit ratio criteria.

Agricultural lending comprised only three percent of the total loan portfolio, and therefore, was not considered when arriving at conclusions and ratings due to the nominal volume of originations. Although residential mortgage loans were considered, they were not chosen for review as they represent only thirty-six loans and only twenty-four percent of the dollar volume of loans outstanding. The bank is not an active residential lender and many of the bank's mortgage loans are to their existing commercial loan customers with many being loans on non-owner occupied properties.

Throughout the evaluation, emphasis is placed on the distribution of the bank's lending by number of loans generated as opposed to their dollar volume. This emphasis is justified because smaller businesses have smaller debt capacities and their financing needs are typically for lower dollar amounts than larger operations; making it characteristic for the relative number of loans made to smaller businesses to be greater than the relative dollar volume of those loans.

## **DESCRIPTION OF INSTITUTION**

Signature Bank is a one-office institution headquartered in Windsor, Colorado. The institution is located approximately 80 miles north of Denver, Colorado, in upper-income census tract 22.01. The institution was established on December 1, 2004. The bank offers reasonable hours of operation to serve customers, and the institution offers an array of deposit services and credit products. Motor bank and ATM services are available at the bank. The bank's lobby and motor bank are open for business weekdays and Saturday.

As of March 31, 2006, Signature Bank reported total assets of \$22,764,000, total loans of \$16,316,000, and total deposits of \$18,522,000. Most recent Call Report information is shown in Table 1. The institution's primary lending focus is commercial lending. An in-depth analysis of the bank's agricultural lending is omitted from this evaluation, because the number of agricultural loans comprises an insignificant level of the bank's overall lending activity.

Signature Bank does not have any legal or financial impediments that restrict its ability to meet the credit needs of the assessment area. Considering the institution's size and recent establishment, the loan and deposit products offered by Signature Bank appear well suited to the banking needs of the local area.

**Table 1 – Loan Distribution as of March 31, 2006**

<b>Loan Type</b>	<b>Dollar Amount</b>	<b>Percent of Total Loans</b>
Construction, Land Development, and Other Land	\$2,549,000	16%
Secured by Farmland	\$150,000	1%
Open-End Lines of Credit Secured by 1-4 Family Residential	\$1,623,000	10%
Closed-End Loans Secured 1-4 Family Residential	\$4,000,000	24%
Secured by Multi-Family (5 or more) Residential Properties	\$0	0%
Secured by Nonfarm Nonresidential Properties	\$1,775,000	11%
<b>Total Secured by Real Estate</b>	<b>\$10,097,000</b>	<b>63%</b>
Agricultural Loans	\$510,000	3%
Commercial and Industrial	\$5,301,000	32%
Consumer	\$291,000	2%
All Other Loans and Obligations	\$126,000	1%
Less: Unearned Income on Loans	\$9,000	<1%
<b>Total Loans</b>	<b>\$16,316,000</b>	<b>100%</b>

Source: Report of Condition as of March 31, 2006

## **DESCRIPTION OF SIGNATURE BANK’S ASSESSMENT AREA**

Signature Bank’s assessment area is comprised of nine contiguous census tracts in the Ft. Collins-Loveland Metropolitan Statistical Area (MSA) and the Greeley MSA. In the Greeley MSA, the assessment area includes all of the political subdivision for the Town of Windsor and the western portion of the City of Greeley. In the Ft. Collins-Loveland MSA, the assessment area includes the eastern portion of the City of Loveland, south Ft. Collins and the I-25 northern corridor. The assessment area consists of 3 middle-income tracts and 6 upper-income tracts.

The largest portion of the bank’s commercial lending is concentrated in the assessment area geographies in the Greeley MSA and primarily near the bank’s office in Windsor. The bank’s assessment area is a fast growing area that is converting from agriculture land use to municipal use. According to 2000 U.S. Census data, the population in the bank’s assessment area is 60,925. The major employers include Owens-Illinois, Universal Forest Products, and the Colorado Eagles.

Table 2 represents Business Geodemographic Data of the assessment area. Approximately 66 percent of the businesses surveyed had revenues of less than \$1 million, and approximately 29 percent of the businesses did not report revenues.

<b>Table 2 - Business Economic Characteristics of the Assessment Area</b>	
<u>Percentage of Non-Farm Businesses by Gross Annual Revenues:</u>	
<\$.5 million	61%
>= \$.5 million and <\$1 million	5%
>\$1 million	5%
Revenues Not Reported	29%

The largest percentage of businesses is service providers that represent 31 percent of classifiable establishments. Other major categories are construction at 13 percent, retail trade at 11 percent and finance, insurance and real estate at 10 percent.

The following data is derived from the Colorado Economic Chronicle dated March 2006, for the “Northern” region, containing Weld and Larimer Counties. This document is published by the Legislative Council Staff of the Colorado General Assembly.

“The northern region was characterized by relatively stable economic conditions in 2005. The region is increasingly seen as bedroom communities to the metro-Denver area. Employment in Larimer County increased 2.0 percent last year, compared with 2.1 percent in 2004. Weld County jobs increased 2.7 percent last year, compared to 2.8 percent in the previous year.

As in most other regions of the state, the natural resources, mining, and construction sector was the driving force in the local economy last year with growth rates of 7.1 percent in Larimer County and 11.5 percent in Weld County. Construction employment typically lags permits. The 2005 employment gains in the broad sector followed strong permit activity in 2004. Three sectors in Weld County had job losses in 2005: manufacturing; trade, transportation, and utilities; and the educational and health services category. The latter category is one of the strongest across the state.”

Community Contact

A community contact with a local community leader provided additional information regarding community credit needs, the condition of the local economy, and changes in area demographics. The contact indicated that from 2000 to 2003, Weld County was the fastest growing county in the United States with housing construction being the primary driver for the recent economy. The contact also stated that the oil and gas industry is multiplying with Weld County having the largest oil and gas field in the State. Additionally, Weld County is the only non-California county that is in the top ten cattle producers. Another contact stated the area is suffering from severe drought conditions that have prevailed for the past four years. Weld County is the largest agricultural producing county in the State with local grains being marketed to the local livestock producers. However, with the continued population growth, more and more of the land and water rights are being consumed by commercial developments. In general, the community contact commented that the banks are meeting the community’s needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, comparison to other banks, and assessment area credit needs. As an indicator of lending activity, the bank's loan-to-deposit ratio was calculated for the six quarters from December 31, 2004, through March 31, 2006, using balances reported on the consolidated Reports of Condition and Income. Signature Bank's average net loan-to-deposit ratio was 70 percent. Table 3 shows the subject bank and other comparable area financial institutions, with their average net loan-to-deposit ratios for the same period. The comparable banks are relatively new institutions and contain similar loan product structures. The institutions are listed alphabetically, with no inference of ranking.

<b>Table 3 – Loan-To-Deposit Ratio Comparison</b>				
<b>Institution</b>	<b>Total Assets (\$000)</b>	<b>Total Deposits (\$000)</b>	<b>Net Loans (\$000)</b>	<b>Average LTD Ratio (%)</b>
FlatIrons Bank Boulder, Colorado	40,333	30,909	24,029	69
New West Bank Greeley, Colorado	73,589	66,759	49,575	79
Signature Bank Windsor, Colorado	22,764	18,522	16,178	70

Considering the factors above, Signature Bank's loan-to-deposit ratio is similar to the other institutions listed and reflects reasonable performance.

### Assessment Area Concentration – Lending in Assessment Area

A majority of loans, 66 percent by number and 77 percent by dollar, are in the institution's assessment area and reflects satisfactory performance. Consideration is given to the assessment area's size in relation to the bank's office structure, asset size, and loan products reviewed. Table 4 depicts the bank's lending performance inside and outside the assessment area.

<b>Table 4 – Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business Loan Sample	41	66	21	34	62	6,209,029	77	1,839,946	23	8,048,975

Source: Small Business Loan Sample (12/30/2004 – 6/19/2006)

### Borrower Distribution

Signature Bank established satisfactory performance for distribution of loans to various sized businesses. Gross annual revenues and size of loans were two indicators used in the analysis to support this conclusion. Given the demographics of the assessment area, the distribution of borrowers reflects reasonable penetration among businesses of different sizes. As indicated in Table 5, the majority of loans are to businesses with revenues less than \$1 million. The table reflects that the bank is making a substantial amount, 88 percent of the number of loans and 82 percent by dollar of loans, to businesses with revenues under \$1 million. This record compares reasonably to the 94 percent of businesses reported by Dun & Bradstreet data.

<b>Table 5 – Lending Distribution of Commercial Loan Sample Based on Gross Annual Revenues of the Business</b>					
<b>Gross Annual Revenue</b>	<b>Percentage of Businesses by Gross Annual Revenues*</b>	<b>Number of Loans**</b>	<b>Percentage by Number</b>	<b>Dollar Amount of Loans</b>	<b>Percentage by Dollar Amount</b>
Less than \$50,000	16	7	17	808,319	13
\$50,000 to \$99,999	29	4	10	118,685	2
\$100,000 to \$249,999	31	11	27	557,253	9
\$250,000 to \$499,999	11	9	22	2,660,896	43
\$500,000 to \$1,000,000	7	5	12	942,026	15
Grater than \$1,000,000	6	5	12	1,121,850	18
<b>Totals</b>	<b>100%</b>	<b>41</b>	<b>100%</b>	<b>\$6,209,029</b>	<b>100%</b>

\*Source: 2005 D&B data

\*\* Source: 41 Small Business Loans located within Assessment Area (12/30/2004 – 6/19/2006)

The analysis for commercial loans also takes into consideration the size of the loans extended. Ninety-three percent of the 41 commercial loans were extended in amounts of \$100,000 or less reflecting the bank's emphasis on lending to small businesses.

### Geographic Distribution

The distribution of commercial loans among the various census tract categories reflects satisfactory performance. Because the assessment area contains no low- or moderate-income census tracts, this performance factor was given less weight in the overall evaluation. A review of the loans inside the assessment area disclosed a reasonable dispersion throughout the communities served. As would be expected, the largest distribution of loans was centered in or near communities where the bank is headquartered.

### Response to Complaints

The bank has not received any CRA-related complaints since the last examination.

### Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the examination.

## GLOSSARY OF STANDARD CRA DEFINITIONS

**Assessment Area:** A geographic area delineated by the bank in accordance with the requirements of the Community Reinvestment Act.

**Census Tract:** Small subdivisions 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. They 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.

**Dun & Bradstreet:** The Dun & Bradstreet Corporation is a provider of business and financial information drawn from a global database of more than 50 million businesses.

**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.

**Metropolitan Area (MA):** Any primary metropolitan statistical area (PMSA), metropolitan statistical area (MSA), or consolidated metropolitan area (CMSA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate financial supervisory agency.

**Metropolitan Statistical Area (MSA):** One or more Metropolitan Districts that have economic and social ties.

**Metropolitan Districts:** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area.

**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.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts

of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**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.