

Our President, Mark Driscoll, wants to hear from you. Review this page for Mark’s answers to some “Frequently Asked Questions” from customers just like you. If you have a question, you can submit it by emailing Mark at [mark@1stnationalbank.com](mailto:mark@1stnationalbank.com). Mark will respond to your question in a timely fashion and we may even post it online.

Mark Driscoll  
CEO & President



***“I just read in the paper that First National Bank experienced a significant loss in the third quarter. The article mentioned a large increase in “loan loss provision.” What is “loan loss provision” and should I be concerned?” - Dan, Evans***

No need for concern, Dan. As you noted, we did increase our loan loss provision substantially last quarter. “Loan loss provision” is a practice whereby the bank sets aside an “allowance” for potentially bad loans. This is part of the ongoing management of our loan portfolio in this challenging economy. As the economy rebounds, unused portions of the loan loss provision may be reclassified as earnings.

Fortunately, our Pre-Provision Net Revenue, liquidity and cash flow all continue to be quite strong. Our capital remains above the 10% well capitalized guideline. First National Bank is making progress in key financial measures and expects to continue to be the market leader in northern Colorado for many years to come.

***“I received an email claiming to be from the FDIC. It said I have an account at a failed bank but all of my accounts are at your bank. Does that mean your bank is closing?” - Victor, Longmont***

***“Yesterday I got a ‘wellness call’ and they told me that my bank was closing and that if I could provide my account number they would help me move my accounts to their financial institution. Is that true?” - Anne, Wellington***

Victor, Anne – Unfortunately, as wonderful as the internet and email can often be, there are always people out there who are looking to use this technology to take advantage of others. Our bank, and nearly every other bank, will not typically ask you to provide sensitive information such as your account number over the phone, particularly when we initiate the call. We will use the information we already have regarding you and your accounts and instead ask you to confirm that information to prove that you are the account holder. Emails and phone calls such as those both of you mention above fall under the umbrella of “phishing.” “Phishing” is the criminally fraudulent process of attempting to acquire sensitive information such as user names, passwords and credit card details by masquerading as a trustworthy entity (such as your bank or the FDIC) in an electronic or telephone communication.

If you ever doubt the authenticity of a caller purporting to be an employee or representative of First National Bank, please do not be afraid to

Continued on page 2.

You’re Always First With Us



Continued from page 1.

withhold providing sensitive information and instead give us a call at (800)883-8773 or send us an email by visiting us at [www.1stnationalbank.com](http://www.1stnationalbank.com) (click “Contact Us” near the top). We’ll help you get to the bottom of the request and help verify its authenticity or determine if it is a fraudulent request.

***Question: Why hasn’t First National Bank informed its customers of their Agreement with the OCC? Why am I reading about it in the paper first? – Andrew, Fort Collins***

Mark – Actually, Andrew you are reading about it in the newspapers because of First National Bank. We were required by law to maintain the confidentiality of the Agreement until the OCC made it public. Therefore, we deferred to their time line relative to publicizing the details of our Formal Agreement. Once the OCC made the Agreement public, we immediately sent a press release to the local media and I personally followed up with the reporters’ interview requests and questions. We have been pleased that the media has correctly reported that our Formal Agreement is directed towards a few very specific practices and does not call into question any legal or ethical violations nor does it dictate specific results or even remotely suggest the closing of our bank.

***Question: I just read that your bank is on some kind of formal agreement with the OCC. What does this mean? – Laura, Kersey***

Mark – Thanks for the question, Laura. Yes, First National Bank and the agency that oversees national banks like ours, the Office of the Comptroller of the Currency (OCC), have entered into a Formal Agreement stating that the bank will improve specific policies or practices identified by the regulatory agency. The Agreement principally deals with loan and credit issues that became clear to us beginning over a year ago and reflects the situation facing many banks as the ongoing recession increasingly impacts both individual and business customers.

Prior to and during the economic downturn, we have conducted our community banking and lending in a reasonable manner and followed appropriate due diligence in accordance with regulatory and conservative guidelines. To a large degree, this Agreement simply comes as a result of the bank’s support of the lending needs of our communities during a period of robust development followed by a rapid economic decline which adversely affected real estate values.

Though the OCC only recently released the details of the Agreement publicly, we have been addressing the issues outlined in the Agreement for several months and have made significant progress on many fronts. This progress includes writing down loans as necessary to reflect current market values, doubling reserves for loan losses, reducing exposure to commercial real estate loans and assembling a team dedicated to dealing with the reality of the economic climate and related problem loans. Our capital ratios, reserves for possible loan losses, and liquidity are higher today than any time over the last decade, providing a strong cushion to weather the storm going forward. The strength and core earnings of our bank have allowed us to make these necessary adjustments.

***Question: How long will you be on a Formal Agreement? Is there a set timeline? – Kathy, Boulder***

Mark – There is no set timeline for the length of our agreement with the OCC, Kathy. The Formal Agreement between First National Bank and the OCC will remain in place until all of the identified areas have been properly addressed. With the impact the downturn in the economy has had on the banking industry at large, we are confident that our Agreement with the OCC will allow First National Bank to reaffirm its position as the leading financial institution in all of the markets we serve in a timely fashion.

***Question: I saw an article that said that First National Bank is engaging in “unsafe loan practices.” I am very happy with the service I receive at First National Bank but this is the first I am hearing of this. Should I be worried about my accounts? - Richard, Greeley***

Continued on page 3.

You’re Always First With Us



Mark – I hope I can shed some light on our recent Formal Agreement with the Office of the Comptroller of the Currency (OCC) that might make you feel more at ease relative to continuing your banking relationship with us.

“Unsafe and unsound” is the enabling or legal (boilerplate) language typically used by the OCC in Agreements such as ours. As a regulatory agency, this language provides the OCC the ability to enter into such Agreements. The Agreement in no way represents that First National Bank is unsafe or unsound, is closing its doors or has violated any laws. We began implementing the majority of items requested of us by the OCC earlier this year. The Formal Agreement provides very helpful oversight and direction in this still weak economy – the kind of guidance one might expect our regulatory agency to provide us. Our entire team, from Universal Bankers to our Board of Directors, is committed to meeting the terms of our Agreement and continuing to respond to the current economic situation the way we have for the last 150 years – by putting the needs of customers like you “First” as your full-service financial partner.

I encourage you to read through all of the questions and answers featured in this PDF for even more information on this Agreement and the health of First National Bank in general. On a personal note, both as an employee and as a bank customer, I plan to be at First National Bank for many, many years to come (and I hope we’ll be seeing you across the lobby, too).

***Question: There have been a lot of stories in the press lately about non-performing loans. Does First National Bank have any of these types of loans? – Greg, Fort Collins***

Mark – Even in the best of times, Greg, most banks have some of these types of loans. The economy has deteriorated greatly and the commercial real estate market continues to suffer greatly, thus increasing the problem loans at nearly all banks, including First National. Accordingly, we are allocating our earnings into reserves for such loans and building capital in response to the current economy.

***Question: As a former New Frontier customer, should I have any concerns about First National Bank? – Kevin, Greeley***

Mark – Absolutely not, Kevin. Though it is unfortunate for the banking industry any time a bank fails, we are honored by the trust former New Frontier customers, such as you, now place in our bank. We are part of a 150-year old, privately held banking company with more than \$20 billion in managed assets. We plan on being around for another 150 years!

***Question: When are you guys going to start lending money again?- SueAnne, Longmont***

Mark – We’ve never stopped lending, SueAnne. We continue to welcome and review applications for loans on an individual basis as we always have. We’re still in the business of helping individuals as well as qualifying businesses, both large and small.

***Question: Is my money safe in your bank? – Julie, Windsor***

Mark – Julie, our company has a 150-year history as a financially strong and stable bank backed by the largest privately-held banking company in the nation with more than \$20 billion in managed assets. We believe we have the resources to weather the current economic situation.

It may also provide you some peace of mind to know that your money is safe at any FDIC-insured financial institution. Conveniently, First National Bank just happens to be the leading bank in FDIC-insured deposits in Northern Colorado as of the most recent FDIC report. The FDIC also recently announced a significant increase in individual coverage (from \$100K to \$250K) through 2013. Our expert bankers can help make sure all of your funds are well-protected.

You’re Always First With Us

