



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

August 10, 2009

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

Los Alamos National Bank  
Charter Number: 15108

1200 Trinity Drive  
Los Alamos, New Mexico 87544

Office of the Comptroller of the Currency

ADC – Arizona and New Mexico  
9633 South 48<sup>th</sup> Street, Suite 265  
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**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, and should not 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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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated Satisfactory.

The following table indicates the performance level of Los Alamos National Bank (LANB) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Los Alamos National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- LANB's volume of lending is good and the percentage of loans made in its assessment areas (AA) is good.
- LANB's geographic distribution of home mortgage loans in the Santa Fe AA is adequate. The distribution of small loans to businesses is excellent. The Los Alamos AA has no low- or moderate-income (LMI) geographies so an analysis of the geographic distribution of lending was not performed.
- In the Santa Fe AA, the borrower distribution of home mortgage loans is adequate. The distribution of small loans to businesses is excellent.
- In the Los Alamos AA, the borrower distribution of home mortgage loans is adequate. The distribution of small loans to businesses is excellent.
- LANB's community development lending had a positive impact on Lending Test performance in the Santa Fe AA.
- The volume of LANB’s qualified investments is adequate in relation to the opportunities in the AAs
- LANB's branches are reasonably accessible to geographies and individuals of all income levels. Their range of services, products, and business hours do not vary in ways that inconvenience their customers, including LMI individuals. The level and nature of LANB's CD services is adequate.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts 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.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**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.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**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.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by non-farm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.



## Description of Institution

LANB is an independent intrastate community bank established in 1963 by local investors to provide convenient, full service banking to its unique community. It is located in Los Alamos, New Mexico, a small mountain community of 18,343 residents that is known for scientific and technological development.

LANB is a subsidiary of Trinity Capital Corporation (Trinity), a local one-bank holding company founded in 1977. Trinity owns a title company, Title Guaranty & Insurance Company, as well. In 1989, the LANB became the sixth largest bank in New Mexico and is still the largest independent community bank located only in New Mexico. As of March 31, 2009, LANB had total assets of \$1.5 billion, net loans of \$1.2 billion, and Tier One Capital of \$148.9 million.

LANB operates four full-service branches in its AA; two branches are in the Santa Fe AA, and two in the Los Alamos AA. The bank also operates and services 29 ATMs, including three in the adjacent Rio Arriba County, 15 of which are deposit-taking. LANB opened its first full-service branch in the city of Santa Fe in 1999 and its second branch in August 2004. A third branch in Santa Fe is planned, but was not open during the evaluation period. The AA delineations meet the legal requirements of the Community Reinvestment Act (CRA) and do not arbitrarily exclude LMI geographies.

LANB is a strong construction, residential and commercial real estate lender. The composition of the loan portfolio as of December 31, 2008 includes: construction and commercial real estate and multi-family loans, 54 percent; residential real estate and home equity loans, 32 percent; commercial loans, 10 percent; and other consumer loans, 4 percent. LANB is very active in the residential mortgage market. During the evaluation period, the bank sold \$551 million in residential mortgages to the secondary market. At December 31, 2008, the balance of sold loans for which LANB retained servicing rights was \$942 million.

LANB operates in a highly competitive environment where 337 lenders reported residential mortgage loan originations in the Santa Fe County AA and 114 lenders reported originations in the Los Alamos AA in 2008. Competition for small business loans is also strong. In the Santa Fe AA and Los Alamos AA, 45 and 23 lenders reported originated small loans to businesses, respectively in 2007. LANB now ranks first in deposit market share in both of its AAs, with 21 percent of deposits among 11 banks in the Santa Fe AA, and 89 percent of deposits among four banks in the Los Alamos AA as of June 30, 2008.

LANB received a rating of "Outstanding" at the prior evaluation dated July 31, 2006. There are no financial or legal impediments that would impair the bank's ability to perform under the Community Reinvestment Act (CRA).

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses information since the previous examination dated July 31, 2006. The evaluation period for our review of LANB's Community Development loans, investments, and services, as well as retail banking services, covers the period from August 1, 2006 through May 31, 2009. The evaluation period for our review of LANB's home mortgage and small business loan originations [Home Mortgage Disclosure Act (HMDA) and CRA data] covers January 1, 2006 through December 31, 2008.

## Data Integrity

The integrity of publicly reported data was not identified as a problem with this bank at the last CRA examination. There have been no changes in the CRA Officer, or methods of internal processes for validating the HMDA and small business data; therefore, the data are deemed accurate.

## Selection of Areas for Full-Scope Review

The bank has two AAs: one AA consisting of the Santa Fe MSA, and a non-MSA AA comprised of Los Alamos County and one census tract in the adjacent Rio Arriba County. Throughout the report these AAs will be referred to as the Santa Fe AA and the Los Alamos AA, respectively. Both will receive a full scope review. See Appendix A for the dates utilized in the various tests for LANB's AAs. See Appendix B for market profiles on these AAs. There are no limited scope areas.

## Ratings

The bank's overall CRA rating is based on the full-scope reviews of the Santa Fe AA and Los Alamos AA. The rating methodology is structured such that the Lending Test weighs most heavily of the three tests. In general, the performance in each AA is weighed according to the percentage of deposits from that area, and in this regard, Table 1 in Appendix C shows the percentage of deposits by AA.

## Other

To conclude on LANB's overall record of performance, we assessed activities in the AAs under the Lending, Investment and Services Tests. Based on the portion of reported lending during the evaluation period, geographic distribution and borrower distribution products are weighed as follows: 76 percent HMDA and 24 percent small loans to business. Home purchase, home improvement, and home mortgage refinance products were weighed considering volume, and where appropriate, the absence of activity as indicated by the market share. Because the Los Alamos AA has no LMI geographies, no weight was given to the geographic distribution of lending in the AA. Community development lending, when significant, enhanced Lending Test conclusions.

## **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.

### **Conclusions with Respect to Performance Tests**

#### **LENDING TEST**

The bank's performance under the Lending Test is rated High Satisfactory. Based on full-scope reviews, the bank's performance in the Santa Fe and Los Alamos AAs is good.

#### **Lending Activity**

Refer to Tables 1 through 11 in Appendix C for facts and data used to evaluate the bank's lending activity.

In the Santa Fe AA, lending activity is good. LANB reported a 21 percent market share of deposits in June 2008. LANB's share of mortgage loans is 5.58 percent by the number and 4.31 percent by the dollar amount of lending in the AA, both of which are significantly below its deposit market share. However, this is mitigated by the fact that there are 289 HMDA lenders competing in the market, and only 10 other depository financial institutions. LANB ranked fourth in the market and only one other depository financial institution has a greater market share. LANB's market share of small business loans is 3.11 percent by the number but the bank ranks first by total dollars with 18.62 percent of the market. Most of the reporting institutions with larger market shares by number of loans are issuers of business credit cards. Although these percentages would indicate adequate performance when compared to the bank's deposit market share of 21 percent, we consider this good performance because LANB is the second highest ranking local small business lender in the Santa Fe AA and there are 41 other small business lenders in the market. Consideration was also given to the volume of community development (CD) loans originated in the AA of more than \$16 million. Due to its volume, HMDA lending had a greater impact on our conclusions regarding lending in this AA.

In the Los Alamos AA, lending activity is good. In June 2008, LANB reported an 89 percent market share of deposits. LANB's share of mortgage loans is 52.33 percent by the number and 45.65 percent by the dollar amount of lending in the AA. Even though these percentages are significantly below the bank's deposit market share, LANB ranked first for the number and dollar volume of loans; the second ranking financial institution originated less than 17 percent of LANB's volume of lending by number of loans. In addition, there are 76 HMDA lenders competing in the market, but only five are local depository financial institutions. LANB's market share of small business loans is 8.86 percent by number, ranking the bank as sixth. However, none of the higher-ranking institutions are depository with offices in the AA and most are issuers of business credit cards. Although LANB's market share of 54.71 percent by dollar amount is lower than its deposit market share of 89 percent, the bank ranked first in dollar volume in the Los Alamos AA among 23 other small business lenders. LANB received positive consideration for lending activities performed in a nearby distressed middle-income tract in Rio

Arriba County. Due to its volume, HMDA lending had a greater impact on our conclusions regarding lending in this AA.

## Distribution of Loans by Income Level of the Geography

### ***Home Mortgage Loans***

Refer to Tables 2, 3, and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

### **Santa Fe AA**

LANB's geographic distribution of HMDA loans in the Santa Fe AA is adequate. The bank's HMDA lending is positively facilitated by programs such as the New Mexico Mortgage Finance Authority, Homewise, Inc., and FHLB Affordable Housing Program Help Grants.

LANB's geographic distribution of home purchase loans within the Santa Fe AA is adequate. The single low-income CT in the Santa Fe AA is located near the central business district in downtown Santa Fe. LANB originated three home purchase mortgage loans within the sole low-income geography. Residential mortgage loans are difficult to originate because less than one percent of owner occupied housing is geographically located in this low-income census tract (CT), limiting the bank's opportunities to originate residential mortgages in this geography. The portion of LANB's home purchase loans in the low-income geography is somewhat lower than the percentage of owner occupied housing in that geography. Additionally, the bank's market share of loans in the low-income geography is significantly below its overall market share. There are obstacles to lending in low-income geographies so more weight was given to performance in the moderate-income geographies. The portion of LANB's home purchase loans in moderate-income geographies is lower than the percentage of owner occupied housing in those geographies. However, the bank's market share of home purchase loans in moderate-income geographies substantially meets its overall market share.

The geographic distribution of home improvement loans within the Santa Fe AA is adequate. LANB originated no home improvement loans in the low-income census tract (CT). The portion of home improvement loans LANB originated in moderate-income geographies is lower than the percentage of owner occupied housing in the geography. However, the bank's market share of loans in moderate-income geographies exceeds its overall market share. As already stated, there are obstacles to lending in low-income geographies so more weight was given to performance in the moderate-income geographies.

LANB's geographic distribution of home mortgage refinance loans within the Santa Fe AA is good. The portion of the bank's mortgage refinance loans in the low-income geography significantly exceeds the demographic comparator of approximately one percent; however, this represents only nine loans. The bank's market share of loans in the low-income geography is below its overall market share. The portion of the bank's home mortgage refinance loans in moderate-income geographies is lower than the portion of owner-occupied housing in these geographies. However, the bank's market share substantially meets overall market share for moderate-income geographies. As previously mentioned, there are obstacles to lending in the low-income geographies. LANB's performance in the low-income geographies is evidence that

the bank overcame this obstacle. Therefore, performance in both geographies was given equal weight.

An analysis of multifamily loans is not meaningful because LANB reported no multifamily loans in the LMI geographies in the Santa Fe AA over the evaluation period.

### **Los Alamos AA**

LANB's geographic distribution of home purchase, home improvement, home refinance, and multifamily loans within the Los Alamos AA is not meaningful because there are no LMI CTs in the AA.

### ***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

### **Santa Fe AA**

LANB's geographic distribution of small loans to businesses in the Santa Fe AA is excellent. The portion of loans originated in the low-income geography significantly exceeds the percentage of businesses in the geography. Additionally, the bank's market share of loans in the low-income geography significantly exceeds its overall market share. The portion of loans originated in the moderate-income geographies significantly exceeds the percentage of businesses in the geography. The bank's market share of loans in these geographies also significantly exceeds its overall market share.

### **Los Alamos AA**

LANB's geographic distribution of small loans to businesses within the Los Alamos AA is not meaningful because there are no LMI CTs in the AA.

### ***Lending Gap Analysis***

Our geographic distribution analysis included a review for any unexplained lending gaps in the Santa Fe AA, particularly the LMI areas. We did identify several LMI areas with low penetration; however, bank management provided a reasonable explanation for the low penetration. Specifically, irregular topography makes it difficult for new developments; older, established agricultural homesteads, and large homestead tracts kept within families, keep the need for financing at a minimum due to little or no turnover.

### ***Inside/Outside Ratio***

The percentage of loans made in the bank's AA is good. Specifically, 71 percent of the number and 76 percent of the dollar amount of mortgage loans were made inside its AA. In addition, 68 percent of the number and 45 percent of the dollar amount of small business loans were made inside its AA.

## Distribution of Loans by Income Level of the Borrower

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

#### **Santa Fe AA**

LANB's borrower distribution of HMDA loans by income in the Santa Fe AA is adequate. Residential housing affordability is a significant factor in this MSA because average home prices are high in relation to the median family income. Even though housing prices fell during 2008 with the nationwide economic downturn, the housing affordability index still showed homes out of reach at the median family income (MFI) level. Low-income borrowers at less than 50 percent of the MFI are unable to qualify, and it is even difficult for moderate-income borrowers without assistance from special affordable housing programs. Therefore, we gave no weight to demographic comparators in this section, and relied instead on the market share. (Refer to Appendix B for a more detailed analysis of housing affordability). We also placed a greater weight on the borrower distribution of home mortgage refinance loans in this AA as they comprised approximately 58 percent of all home mortgage loans during this evaluation period. In addition, the bank's HMDA lending is positively affected by involvement with a local affordable housing provider, as well as participation with the New Mexico Mortgage Finance Authority and FHLB Affordable Housing Program Help Grants.

Borrower distribution of home purchase loans in the Santa Fe AA is adequate. The disparity between housing prices and median incomes in this MSA was considered in reaching this conclusion. However, as noted above the cost of housing and the related qualifying income is extremely high, making it difficult for LMI individuals to obtain home financing. Because of this finding, all weight was given to the bank's market share in this product category. The bank's market share of loans to low-income borrowers significantly exceeds the overall market share. LANB's share of loans to moderate-income borrowers is significantly below the overall market share.

LANB's distribution of home improvement loans by income level of borrowers in the Santa Fe AA is adequate. The bank's market share of home improvement loans to low-income borrowers is significantly below the overall market share. However, the market share of loans to moderate income borrowers significantly exceeds their overall market share. As mentioned, all weight was given to the bank's market share due to the high cost of housing.

LANB's distribution of home mortgage refinance loans by income level of borrowers in the Santa Fe AA is adequate. The bank's market share of home improvement loans to low-income borrowers significantly exceeds the overall market share; however, the share of loans to moderate-income borrowers is significantly below the overall market share. As stated above, all weight was given to market share due to the barriers created by the high cost of housing.

#### **Los Alamos AA**

LANB's borrower distribution of HMDA loans by income in the Los Alamos AA is adequate. Residential housing affordability is also a significant factor in this AA because average home

prices are also high in relation to the median family income. Even though housing prices fell during 2008 with the nationwide economic downturn, the housing affordability index still showed homes out of reach at the median family income (MFI) level. Low- and moderate-income borrowers are unable to qualify. Therefore, we gave no weight to demographic comparators in this section, and relied instead on the market share. An even more significant barrier than price is the lack of housing stock due to absence of available land for building new residences. (Refer to Appendix B for a more detailed analysis of housing affordability).

Borrower distribution of home purchase loans in the Los Alamos AA is excellent. In drawing this conclusion, the most weight was placed on the bank's market share in lending to moderate-income borrowers but market share in lending to low-income borrowers was also considered. We found that LANB's market share to moderate-income borrowers significantly exceeds the overall share. However, no loans were made to low-income borrowers in 2007 by any banks in the market.

LANB's distribution of home improvement loans by income level of borrowers in the Los Alamos AA is poor. As mentioned previously, this conclusion was driven by the bank's market share performance. A review of market share performance shows, LANB's share of home improvement loans to moderate-income borrowers is significantly below the overall market share and there were no loans to low-income borrowers. However, this is not a major product line for the bank.

LANB's distribution of home mortgage refinance loans to low- and moderate-income borrowers in the Los Alamos AA is adequate. This conclusion was driven by market share performance, which showed LANB's share of loans to moderate-income borrowers is below the overall market share. However, no loans were made to low-income borrowers.

### ***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

#### **Santa Fe AA**

LANB's distribution of loans to businesses with revenues of \$1 million or less in the Santa Fe AA is excellent. The portion of loans to businesses of this type in the AA significantly exceeds the percentage of businesses of this type in the Santa Fe AA. The bank's market share of small loans to businesses of this type significantly exceeds its overall market share.

#### **Los Alamos AA**

LANB's distribution of loans to businesses with revenues of \$1 million or less in the Los Alamos AA is excellent. The portion of loans to businesses of this type in the AA significantly exceeds the percentage of businesses of this type in the Los Alamos AA. The bank's market share of small loans to businesses of this type significantly exceeds its overall market share.

## Community Development Lending

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes CD loans.

### **Santa Fe AA**

The volume and nature of LANB's CD lending had a positive impact on the lending conclusions in the Santa Fe AA. LANB originated more than \$16 million in qualifying CD loans, representing 26.7 percent of allocated Tier One Capital. Of that \$16 million, one hundred percent of the dollar amount is targeted to affordable housing. This activity is favorable because the loans address one of the AA's most significant credit needs and because CD opportunities are limited.

LANB's partnership with a local affordable housing provider is noteworthy. The organization's mission is to help modest-income New Mexicans become successful homeowners. The organization provides training and education for homebuyers and provides financial and technical assistance for home repairs. The Santa Fe AA has a significant credit need for affordable housing and the loans made by LANB to the organization help fulfill this need. Approximately 72 percent of the bank's CD lending in the Santa Fe AA was granted to this organization.

### **Los Alamos AA**

The volume and nature of LANB's CD lending had a neutral impact on Lending Test conclusions in this AA. LANB originated only \$1.1 million in a qualifying CD loan, representing 1.25 percent of allocated Tier One Capital. Opportunities for CD activities are limited in the Los Alamos AA.

## Product Innovation and Flexibility

The bank had no innovative or flexible loan products to report.

## **INVESTMENT TEST**

Performance under the investment test is rated Low Satisfactory. In total, LANB invested \$266 thousand in its AAs representing 0.30 percent of the bank's Tier One Capital. In the Santa Fe AA and in the non MSA, performance is adequate in light of limited investment opportunities.

Refer to Table 14 in Appendix C for facts and data used to evaluate the bank's level of qualified investments.

Opportunities for qualified investments in LANB's AAs are very limited, especially in the non MSA. Although LANB participates in many activities in its communities, most do not qualify as CD. In the Los Alamos AA, the infrastructure for creating CD opportunities and qualified investments is lacking. Particularly those that would normally target affordable housing in LMI geographies are lacking because the majority of census tracts in the AA are upper-income with



the exception of one census tract located in Rio Arriba County. This census tract also received a distressed designation as of June 30, 2008.

### **Santa Fe AA**

The volume and nature of qualified investments in the Santa Fe AA is adequate. LANB funded qualified investments totaling \$64 thousand which represents only 0.10 percent allocated Tier One Capital. This is considered adequate because of very limited opportunities in the AA. Qualified investments consisted primarily of donations to organizations providing community services to LMI families and individuals. There were also several donations to affordable housing organizations.

### **Los Alamos AA**

The volume and nature of qualified investments in the Los Alamos AA is adequate given the limited opportunities in the AA, due in part to its small size. LANB provided 38 qualified investments totaling \$202 thousand, representing only 0.23 percent of allocated Tier One Capital. All investments were to entities which provide community services to low- and moderate-income families and individuals.

## **SERVICE TEST**

The bank's performance under the Service Test is rated High Satisfactory. Based on full-scope reviews of retail banking services, the bank's performance is good. LANB has four branch offices, two in the Santa Fe AA and two in the Los Alamos AA. All of these offices are located in upper-income geographies. However, offices and retail services are reasonably accessible to geographies and individuals of all income levels. LANB provides an adequate level of CD services that are somewhat responsive to the most pressing credit needs. This adequate level of CD services had a neutral impact on the Service Test rating.

### **Retail Banking Services**

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Although both the bank's offices in the Santa Fe AA are located in upper-income geographies, one of the branch offices is less than one-half mile from the only low-income CT in the Santa Fe AA and is highly accessible to pedestrians, as well as to public transportation along a main street that borders four adjacent moderate-income CTs. The other branch office is less than one mile from a moderate-income tract and is highly accessible to pedestrians. There were no branch openings or closings during the evaluation period of August 1, 2006 thru May 31, 2009.

The Los Alamos AA has only upper-income geographies. Therefore, an analysis of the distribution of the bank's offices is not meaningful. However, as noted in Appendix B, the town is isolated on a hill and the bank's downtown location is located on the main road, which provides the only access in and out of the town. This location makes it readily accessible to the local business community, as well as residential LMI customers, who leave the hill to go home. The second branch is in White Rock, a "bedroom community" located nine miles from

LANB's main office, which adequately serves this portion of the Los Alamos residential community.

LANB offers a wide range of services that do not vary in ways that inconvenience its customers, including LMI individuals. The products, services, and business hours are reasonable. Refer to LANB's CRA Public File for a current list of available products and services. In addition, it is important to note that LANB originates a significant volume of residential mortgage products that it sells into the secondary market, but retains servicing rights.

Alternative service delivery systems include free Internet, phone banking, bill-payment services, bi-lingual ATM locations (Spanish/English), Saturday banking hours, and offices with multi-lingual service representatives. The bank has 29 ATMs, 12 in the Santa Fe AA, of which 6 are deposit taking, and 17 in the Los Alamos AA, of which 10 are deposit taking.

### Community Development Services

The level and nature of LANB's CD services is adequate

The bank provides a number of service hours to various organizations in the community, but not all the organizations have a primary purpose of community development and thus do not qualify for CRA consideration. In other cases, the service provided by the bank is neither financial nor technical. Those financial or technical services, which were directly related to qualifying organizations that meet identified community credit needs, included 1692 hours. Of these hours, Santa Fe benefited from 123 volunteer hours serving affordable housing; 169 hours serving community services; and 20 hours serving revitalization or stabilization of LMI geographies. Los Alamos benefited from 108 hours serving affordable housing; 1032 hours serving community services; and 240 hours serving the revitalization or stabilization of its one distressed middle-income geography in the Los Alamos AA.

Following are examples of CD services that benefit the Los Alamos AA and Santa Fe AA.

A LANB officer is a board member for a Los Alamos community service organization. This organization provides a therapeutic residential treatment program, through its group home, for adolescent girls that are unable to live in their homes due to abuse, neglect, or emotional/behavioral problems. The organization's commitment is to provide long-term treatment for troubled adolescent girls and the majority of the individuals living in the home are from LMI households. The officer provided 200 volunteer hours to this organization and had the highest number of volunteer hours amongst LANB's officers.

Another officer of LANB serves as a board member for a Los Alamos community service organization that promotes emotional and social well being to enhance the quality of life for all age groups in northern New Mexico by providing highly effective integrated services; including, but not limited to, advocacy, education, prevention and counseling. Over 75 percent of the donation funds the organization receives are to reduce or eliminate co-pays for individuals that fit the LMI criteria.

Multiple officers of LANB volunteered their time to a non-profit organization that serves both the Los Alamos and Santa Fe community by creating affordable housing for very low-income households. The officers served as board and committee members providing technical assistance in financial matters to include assistance in the organization's recipient selection process.

A bank officer serves as a board member providing technical financial assistance to an affordable housing association, which focuses on LMI individuals in the creative and cultural sector. The organization also serves the community as an advocate for creative entrepreneurs, businesses and workers by educating the public and elected leaders about the importance of policies, programs and funding to support and expand the creative arts economy of Santa Fe.

Through its membership with the Federal Home Loan Bank of Dallas (FHLBD), LANB offers a service that is responsive to local community development needs. By law, public deposits require collateral for amounts above the FDIC limit. Utilization of the FHLBD's Letter of Credit (LOC) for Economic Development Program (EDP) allows LANB to substitute these FHLBD LOCs as collateral against public deposits instead of pledging investment grade securities. As a result, the public funds entities receive higher yields on their deposits. Another side benefit is that LANB can lend the public deposited funds into its communities rather than purchase securities in an amount equal to the public deposit. During the evaluation period, a total of \$11.5 million of these public deposits qualified as community development.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/06 to 12/31/08) Investment and Service Tests and CD Loans: (07/31/06 to 05/31/09)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Los Alamos National Bank (LANB) Los Alamos, New Mexico		Home Purchase, Home Improvement, Home Refinance, Small Loans to Business
<b>Affiliates</b>		
NA		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Non MSA	Full Scope	Los Alamos County and one CT in adjacent Rio Arriba County
Santa Fe AA	Full Scope	Santa Fe County

## Appendix B: Market Profiles for Full-Scope Areas

### Santa Fe AA

Demographic Information for Full Scope Area: Santa Fe AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	40	2.50	22.50	32.50	35.00	7.50
Population by Geography	129,292	1.40	29.81	35.71	33.08	0.00
Owner-Occupied Housing by Geography	35,977	0.84	24.88	36.23	38.05	0.00
Business by Geography	15,929	2.07	17.87	27.31	52.74	0.00
Farms by Geography	292	1.71	18.49	34.93	44.86	0.00
Family Distribution by Income Level	33,000	22.01	17.85	18.69	41.25	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,151	1.81	42.93	34.94	20.32	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		50,000 65,500 12%	Median Housing Value Unemployment Rate (2000 US Census)		196,766 2.48%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2009 HUD updated MFI.

The Santa Fe AA consists of all geographies in Santa Fe County. The only changes in the table since the last performance evaluation are the number (and percent) of businesses and farms (with fewer businesses in LMI CTs), and the HUD adjusted MFI for 2009, which increased from \$58,500 to \$65,500. This raises the moderate-income maximum to \$52,400. Nearly 40 percent of the families are either LMI. There also have been significant economic changes here, as across the rest of the nation. The severe economic downturn in late 2008 continuing through 2009, represents an extremely challenging environment.

LANB opened its first full-service branch in the city of Santa Fe in 1999 and its second branch in August 2004. A third Santa Fe branch is scheduled to open in October 2009, but did not impact this examination. In a relatively short period of time with just two branches, the bank has expanded its presence, both in lending and deposits, in spite of significant competition from financial institutions of all sizes. With 20 percent of the area deposits, the bank ranks first in deposits among 11 banks; fourth in home mortgage products among 337 lenders, and ninth in small business loans among 45 lenders.

As the capital of New Mexico, the state government is the largest employer in the area. Because tourism is the second largest industry, the service and retail sectors follow in employment rank. The economy is stable with low unemployment and average employment growth.

Housing affordability remains a significant challenge in the MSA. Although Santa Fe has experienced some of the market fluctuations experienced across the nation, the high-end market has come back fairly quickly. Over the evaluation period, the median sales price of a home rose to a high of \$450,000 in the second quarter 2006, before dropping to a low of \$353,900 first quarter 2008. The prices took another tumble fourth quarter 2008 to \$370,000

but have been rising since then, \$402,057 at June 30, 2009<sup>1</sup>. The income needed to qualify for a median priced home actually fell during the evaluation period from 177 percent of median family income to 127 percent<sup>2</sup> due to falling prices of homes and lower interest rates, while MFI was still rising. Yet housing is still out of reach for many, with nearly 40 percent of the families in the MSA in the LMI range, and 12 percent are below the poverty level. The lack of diversification in businesses, particularly the concentration in government, services and retail sectors, serves to limit higher paying jobs. Factors that contribute to high housing costs are the lack of critical resources including water and vacant usable land with utilities and infrastructure for residential development.

Local government has responded to the high cost of housing dilemma by requiring residential developers to incorporate affordable housing in their subdivisions as a stipulation of the building permits issued. These stipulations are having a positive impact on the supply of housing. The infrastructure for the creation of community development activities is not well developed in the MSA. Opportunities for community development lending, particularly those that target affordable housing, do exist; however, qualified investment opportunities are very limited in this AA.

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<sup>1</sup> Santa Fe Association of Realtors MLS dated 2006 through 6/09.

<sup>2</sup> Qualifying income assumes Federal Housing Finance Agency reported interest rates ranging from 6.8% to 5.04% during the period, 80% financing, & annual updated MFI.

## Los Alamos non MSA

Demographic Information for Full Scope Area: Los Alamos non MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.00	0.00	20.00	80.00	0.00
Population by Geography	24,694	0.00	0.00	25.72	74.28	0.00
Owner-Occupied Housing by Geography	7,870	0.00	0.00	25.10	74.90	0.00
Business by Geography	1,539	0.00	0.00	12.09	87.91	0.00
Farms by Geography	25	0.00	0.00	16.00	84.00	0.00
Family Distribution by Income Level	7,044	6.19	7.74	8.12	77.95	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	981	0.00	0.00	69.32	30.68	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		33,667 44,100 7%	Median Housing Value Unemployment Rate (2000 US Census)		71,893 3.69%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 Census and 2009 HUD updated MFI

The main office is located in Los Alamos, a town with a population of 18,343. However, the Los Alamos AA also includes Los Alamos County and one middle-income census tract in the adjacent Rio Arriba County, where LANB has one deposit-taking and one cash-dispensing ATM, but no physical branches. The classification of the Los Alamos CTs as part of the statewide non-MSA results in an updated median family income of only \$44,100 which is based on all the non-MSA areas of New Mexico. In contrast, the estimated 2007 median family income in Los Alamos County was more than double at \$85,503; therefore all geographies in this county are considered upper-income. In addition, only 14 percent of the families are LMI, which makes this Los Alamos AA an anomaly in the state.

The city of Los Alamos was created in 1943 as a site for the Manhattan Project. The project evolved into Los Alamos National Laboratory, the city's largest employer, and related technological businesses have sprung up to support the Lab's work. This contributes to the AA's higher than normal income levels. The government sector is the second most dominant employer in the AA, followed by healthcare, accommodation, and food services industries. Contributing to its geographic isolation, the city of Los Alamos remained a "closed community" for national security purposes for over 20 years. The city is physically isolated on a high mesa with limited access. It is also land-locked, surrounded by Indian reservation and National Forest land, resulting in a shortage of available land for residential development.

Not surprisingly, housing affordability is a significant challenge in the MSA if you use the statewide MFI as a measure. Over the evaluation period, even though the high median sales price of residential housing dropped 18 percent from \$305,500 to \$249,366<sup>3</sup>, housing prices are still not affordable to LMI families at the statewide MFI. The income needed to qualify for a median priced home fell from 196 percent of median family income to 117 percent<sup>4</sup>, which is still out of reach. However, when you substitute an estimated Los Alamos MFI of over \$85

<sup>3</sup> Los Alamos Realtors Association MLS dated 2006-2008 and year-to-date 2009.

<sup>4</sup> Qualifying income assumes Federal Housing Finance Agency reported interest rates ranging from 6.8% to 5.04% during the period, 80% financing, & annual updated MFI

thousand in 2007 for the calculation, the homes do become affordable, as the income needed to qualify for a median priced home is closer to 85 percent of the estimated Los Alamos MFI. What is more of a major factor in the Los Alamos AA is the absence of available land for building new residences. The local community has not created a supportive infrastructure for community development activities in this AA.



## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: Santa Fe AA & Los Alamos AA						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008				
MA/Assessment Area (2009):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	
<b>Full Review:</b>												
Los Alamos AA	46.67	1,665	257,700	234	32,889	0	0	1	1,112	1,900	291,701	59.26
Santa Fe AA	53.33	1,406	295,836	850	124,477	0	0	8	16,374	2,264	436,687	40.74

\* Loan Data as of December 31, 2008. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from August 1, 2006 to May 31, 2009.

\*\*\* Deposit Data as of May 31, 2009. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: Santa Fe AA & Los Alamos AA						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Los Alamos AA	733	62.60	0.00	0.00	0.00	0.00	25.10	0.95	74.90	99.05	55.24	0.00	0.00	14.29	56.79
Santa Fe AA	438	37.40	0.84	0.68	24.88	16.44	36.23	35.39	38.05	47.49	4.29	2.50	3.75	4.90	4.10

\* Based on 2007 Peer Mortgage Data (Western)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT			Geography: Santa Fe AA & Los Alamos AA				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ*** Units	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Los Alamos AA	116	43.28	0.00	0.00	0.00	0.00	25.10	5.17	74.90	94.83	53.33	0.00	0.00	15.00	64.29	
Santa Fe AA	152	56.72	0.84	0.00	24.88	15.13	36.23	40.79	38.05	44.08	10.31	0.00	10.64	9.91	10.78	

\*Based on 2007 Peer Mortgage Data (Western)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: Santa Fe AA & Los Alamos AA				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overa ll	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ*** Units	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Los Alamos AA	811	50.00	0.00	0.00	0.00	0.00	25.10	7.03	74.90	92.97	50.18	0.00	0.00	18.95	56.56	
Santa Fe AA	811	50.00	0.84	1.11	24.88	16.65	36.23	30.58	38.05	51.66	6.14	4.92	5.60	4.55	7.79	

\*Based on 2007 Peer Mortgage Data (Western)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: Santa Fe AA & Los Alamos AA					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008								
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Los Alamos AA	5	50.00	0.00	0.00	0.00	0.00	1.19	0.00	98.81	100.00	40.00	0.00	0.00	0.00	50.00
Santa Fe AA	5	50.00	2.34	0.00	35.29	0.00	30.73	40.00	31.65	60.00	16.67	0.00	0.00	0.00	33.33

\* Based on 2007 Peer Mortgage Data (Western)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: Santa Fe AA & Los Alamos AA					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008								
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Los Alamos AA	234	21.59	0.00	0.00	0.00	0.00	12.09	2.14	87.91	97.86	8.86	0.00	0.00	3.35	17.56
Santa Fe AA	850	78.41	2.07	2.47	17.87	22.12	27.31	23.88	52.74	51.53	3.11	5.17	3.72	2.69	3.42

\* Based on 2007 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2008)

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: Santa Fe AA & Los Alamos AA								Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Los Alamos AA	733	62.60	6.19	0.00	7.74	1.01	8.12	6.96	77.95	92.03	56.48	0.00	66.67	75.00	54.89
Santa Fe AA	438	37.40	22.01	3.08	17.85	6.41	18.89	17.95	41.25	72.56	4.30	5.94	1.36	4.33	4.86

\* Based on 2007 Peer Mortgage Data (Western)

\*\* As a percentage of loans with borrower income information available. No information was available for 7.8% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: Santa Fe AA & Los Alamos AA								Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Los Alamos AA	116	43.28	6.19	0.93	7.74	4.67	8.12	9.35	77.95	85.05	54.22	0.00	33.33	36.36	59.70
Santa Fe AA	152	56.72	22.01	2.70	17.85	12.84	18.89	20.27	41.25	64.19	10.75	0.00	15.07	7.34	11.91

\* Based on 2007 Peer Mortgage Data (Western)

\*\* As a percentage of loans with borrower income information available. No information was available for 4.9% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: Santa Fe AA & Los Alamos AA		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008											
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans**	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Los Alamos AA	811	50.00	6.19	0.42	7.74	1.83	8.12	3.79	77.95	93.96	49.90	0.00	41.18	37.14	51.26
Santa Fe AA	811	50.00	22.01	5.20	17.85	10.81	18.89	16.96	41.25	67.03	6.32	11.30	3.16	5.02	7.16

\* Based on 2007 Peer Mortgage Data (Western)

\*\* As a percentage of loans with borrower income information available. No information was available for 11.0% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: Santa Fe AA & Los Alamos AA		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008									
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share					
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less				
<b>Full Review:</b>													
Los Alamos AA	234	21.59	63.74	94.02	67.09	13.68	19.23	8.86	20.38				
Santa Fe AA	850	78.41	66.88	88.94	61.65	21.65	16.71	3.11	6.19				

\* Based on 2007 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2008).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.



**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS									
				Geography: Santa Fe AA & Los Alamos AA				Evaluation Period: AUGUST 1, 2006 TO MAY 31, 2009	
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Los Alamos AA	0	0	38	202	38	202	76	0	0
Santa Fe AA	0	0	28	64	28	64	24	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																		
Geography: Santa Fe AA & Los Alamos AA																		
Evaluation Period: AUGUST 1, 2006 TO MAY 31, 2009																		
MA/Assessment Area:	Deposits % of Rated Area Deposits in AA	Branches						Branch Openings/Closings						Population				
		# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography				
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
<b>Full Review:</b>																		
Los Alamos AA	59.26	2	50.00	0.00	0.00	0.00	100.00	0	0	0	0	0	0	0	0.00	0.00	25.72	74.28
Santa Fe AA	40.74	2	50.00	0.00	0.00	0.00	100.00	0	0	0	0	0	0	1.40	29.81	35.71	33.08	