



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

April 15, 2002

### **Community Reinvestment Act Performance Evaluation**

**Hawaii National Bank  
Charter Number:14911**

**45 North King Street  
Honolulu, Hawaii 96817**

**Office of the Comptroller of the Currency**

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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 Hawaii National Bank with respect to the Lending, Investment, and Service Tests:

Performance Levels	Hawaii National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Low Satisfactory			
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:

- A high level of CD lending responsive to the needs of the community.
- An excellent geographic distribution of small loans to businesses in the Oahu assessment area.
- An adequate borrower distribution of small loans to businesses in the Oahu assessment area.
- A good level of investments responsive to the needs of the Oahu assessment area.
- A good level of community development services.
- Banking services that are readily accessible to geographies and individuals of different income levels in its assessment areas.

## 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.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**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:** 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.

**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 household 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 or a block numbering area 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 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).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**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 primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), 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 federal financial supervisory agency.

**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 nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 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.

## Description of Hawaii National Bank

Hawaii National Bank (HNB) is a wholly owned subsidiary of Hawaii National Bancshares, Inc (HB). The bank opened in September 19, 1960, and is headquartered in downtown Honolulu, HI. The bank is an intrastate bank and operates 14 branch offices on three islands. HNB offers a full range of products through its 11 full service branch offices located in the more populated areas of Honolulu, Pearl City, and Kailua on the island of Oahu. The bank operates one full-service branch on the island of Hawaii located in the community of Hilo and two full-service branches on the island of Maui in the communities of Kahului and Kihei.

As of March 31, 2002, HNB had total assets of \$332 million and equity capital of \$27 million. The bank has not engaged in any merger activity during the assessment period. As of March 31, 2002, total loans represented 70% of total assets. HNB's commercial loans totaled \$137 million or 59% of total loans. One to four family residential loans totaled \$80 million or 34% of total loans.

The bank's primary focus is on small business customers and to a lesser extent to individuals for home loans and consumer credit within the bank's assessment area. Most of the bank's customers are small family enterprises and closely-held businesses. HNB is the smallest commercial bank headquartered and doing business in Hawaii. When comparing the bank to its peers, we are referring to this group of local banks that includes Bank of Hawaii, First Hawaiian Bank, American Savings Bank, Central Pacific Bank, City Bank, Territorial Savings and Loan Association and Finance Factors Limited.

The bank has 1.63% of the state's FDIC insured deposits. The bank competes for business loans in the assessment area with six commercial banks headquartered in Hawaii, two of which are part of large multi-state commercial bank holding companies. The only bank similar to HNB in size and market focus is City Bank, with \$1.6 billion in total assets. The bank also competes with two large savings and loans. The total number of financial institutions reporting small business loans in the state of Hawaii in 2000 was 57. Of these, 17 had more than 1% market share. Of the top ten lenders, six were either national credit card lenders or commercial banks headquartered on the mainland.

The Hawaiian market for home and consumer loans is also very competitive. The reported HMDA data shows that there were 272 mortgage lenders active in the state of Hawaii with 216 active in the Honolulu MSA alone. 76 of these lending entities made 50 or more loans during the year. The HMDA reporters include local banks, financial institutions from the mainland, numerous local credit unions, and non-bank lenders. Of the top ten HMDA lenders, six were financial institutions from the mainland.

HNB is affiliated through common ownership as defined in 12 U.S.C 371c with various business entities of the Luke family who own more than 85% of the holding company, Hawaii National Bancshares, Inc. These various business entities contributed service and investments for various community development projects. After a review of the assets and profitability of the Luke family's various enterprises, we conclude that these enterprises are not engaged in banking activities and the bank does not conduct banking activities through these affiliated entities. The contributions and investments made by the affiliated entities were considered in our assessment of the bank's performance under CRA.

HNB's CRA performance was evaluated at this examination using Large Retail Bank CRA procedures. The bank's CRA performance was rated Satisfactory at the CRA examination in May 1999.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance from January 1, 1999, through April 15, 2002. We evaluated HNB's small business and residential mortgage loan originations from January 1, 1999, through December 31, 2001. Community development loans, services and investments were evaluated during the time period from May 3, 1999, through April 15, 2002. The bank did not submit optional consumer loan information for consideration, therefore optional table 13 was not included in Appendix C. For more information about the scope of this evaluation, please refer to Appendix A.

### Data Integrity

We reviewed a sample of HMDA and small business loans to determine the integrity of the data used in this analysis. The data was corrected for errors found in the small business portfolio. The accuracy of the bank's investments, services and community development data was also verified. This analysis is based on accurate data.

### Selection of Areas for Full-Scope Review

HNB operates primarily in three assessment areas in Hawaii. One assessment area is comprised of part of the Honolulu MSA and the other two are selected census tracts on the islands of Maui and Hawaii that represent the immediate area around the bank's branches on those two islands. We selected the Oahu assessment area and the two other assessment areas as a group for the two areas of full scope review. Both areas contribute to the evaluation of HNB's performance in the state of Hawaii. However, more weight is given to the bank's performance in the Oahu AA because it comprises a significant majority of the deposits and assets of the bank.

### Ratings

The bank's overall rating is based primarily on its performance in the Oahu assessment area. This area accounts for 91% of HNB's deposits and 87% of its loans. More weight was given to the small business lending because it represents a majority of the bank's lending volume and is the bank's strategic focus.

### Other

Please refer to Market Profiles in Appendix B for a detailed discussion of credit needs and community contacts.

## **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information, and HMDA, small business and small farm lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in May of 1999. The bank was found to be in satisfactory compliance with fair lending laws. There was no evidence of disparate treatment applied on a prohibited basis and no violations of fair lending laws were cited.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the Oahu AA is good and in the Hawaii Maui AA adequate.

#### Lending Activity

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the HNB's lending activity.

HNB's lending reflects good responsiveness to the credit needs in its assessment areas. HNB originated 1,407 loans totaling \$145 million within its assessment areas during the evaluation period. The majority of loans originated (88% in number 75% in dollar volume) were small loans to businesses. HMDA loans comprised 23% of total dollar volume originated and small farm loans comprised less than 1% of total dollar volume originated. This distribution reflects HNB's emphasis on commercial lending to better focus its efforts and serve its customer base. The market for HMDA lending is highly competitive and is well served by the 50 plus banks originating mortgage loans in the Hawaiian Islands.

Peer lending data for the year 2000 showed HNB with overall market share of 8% of the dollar volume and 2.5% of the number of small loans to businesses in the Honolulu area. This is very good compared to the 1.82% market share of deposits in the Honolulu MSA. This indicates that the bank's share of the market extends beyond its footprint or deposit base and that HNB is reaching out to serve its business customers beyond its base of deposits. Similarly, in the Hawaii Maui AA, the bank has a market share of 3% of the dollar volume of loans compared to its .8% and 1.2% market share of deposits on the islands of Hawaii and Maui respectively.

During the evaluation period, the bank provided 36 trade letters of credit totaling more than \$1.2 million dollars to business with revenues of less than one million dollars. These loans are not reported in the bank's small loans to businesses because they do not fall under the regulatory definition. However, they fulfill an important need for small businesses in the bank's assessment area because of the importance of international trade to the Hawaiian economy. Promoting international trade is one of the key economic objectives to revitalize and stabilize the Hawaiian economy.

## **Assessment Area Concentration**

HNB maintains a high concentration of lending in its assessment area. 77% of the number and 81% of the dollar volume of HMDA loans were made within the bank's assessment areas. 88% of the number and 87% of the dollar volume of loans to small businesses was made within the assessment area. Almost 100% of its loans are made within the Hawaiian Islands. Those loans outside of the assessment area are only a few miles from the boundaries of HNB's designated assessment areas.

## **Lending Gaps**

There were several geographies throughout the assessment area where the bank made no loans. Most of the geographies were random and did not reflect any bias or intent. However, there were two clusters of low, moderate and middle-income census tracts with no lending. These clusters were discussed with the bank and it was determined that these were areas which included military bases, recreation fields and high concentrations of residences that would not normally be marketable areas for commercial lending. We determined that these clusters were not a concern and did not reflect negatively on the bank.

## **Distribution of Loans by Income Level of the Geography**

The geographic distribution of HNB's small loans to businesses, home purchase loans, home improvement and home refinance loans was excellent based on the lending in the Oahu assessment area.

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

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

#### **Oahu AA**

Geographic distribution of small loans to businesses is excellent. To assess the bank's geographic distribution of loans, we calculated the number of bank loans in low, moderate, middle and upper income geographies as a percentage of all loans originated during this review period. We then compare this to the percentage of businesses located in the low-, moderate-, middle- and upper-income geographies. This provides some indication of the available lending opportunities within HNB's assessment area. We also compared the bank's lending in those geographies to the percentage of loans made by other banks within HNB's assessment area. This comparison tells us how well the bank did compared to peer. Additionally, we compared the bank's overall market share for each type of loan (small business and HMDA) to the bank's market share for each type of loan in the four geographic income categories. This is an indicator of the bank's commitment to lend in low- and moderate-income geographies.

The percentage of the bank's loans in moderate-income geographies exceeds the percentage of businesses in those geographies by almost 10%. Although peer bank lending also exceeds the percentage of businesses in those geographies, the bank's lending is well above peer.

The percentage of loans in low-income geographies is slightly less than the percentage of business located in those geographies but is still good. Also, only 5% of businesses are located in low-income geographies.

HNB's market share in moderate-income geographies substantially exceeds its overall market share. HNB's market share of loans in low-income geographies is slightly less than the overall market share. This is an indication of HNB's focus on the needs of businesses in low- and moderate-income geographies.

#### Hawaii Maui AA

Geographic distribution of small loans to businesses in moderate-income geographies is adequate. The percentage of bank loans in moderate-income geographies is less than the percentage of businesses in these geographies and also below peer. The bank's market share in moderate-income geographies is less than the overall market share.

There are no low-income geographies in HNB's Hawaii Maui assessment area.

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

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of HNB's home mortgage loan originations and purchases.

#### Oahu AA

Geographic distribution is excellent.

The percentage of the bank's home purchase loans in moderate-geographies exceeds the percentage of owner occupied homes in these geographies. The percentage of HNB's home improvement and refinance loans also exceeds the percentage of owner occupied loans in moderate-income geographies. Because of the extreme high cost of home ownership, affordable housing is an issue for persons and families in moderate-income geographies. The bank's distribution of loans for home purchase, home improvement and refinance indicates responsiveness to the needs of these geographies.

HNB's market share of home purchase and refinance loans in moderate-income geographies exceeds its overall market share and is further evidence of their responsiveness. The market share of home improvement loans is not sufficient for analysis.

Owner occupied housing in low-income geographies is less than 1 percent of the total housing stock and is not considered a viable area of lending for home purchase, home improvement and refinance loans. Supply is limited due to the extremely high cost of housing in the Oahu AA. Housing needs for low-income persons are best met through multifamily lending. HNB's multifamily loans were made during the evaluation period through a consortium of lenders. Discussion of the distribution is in the community development lending section.

## Hawaii Maui AA

Analysis of the geographic distribution of home purchase and improvement loans in the Hawaii Maui is not meaningful as the bank made only five loans there during the evaluation period. Distribution of home refinance loans was poor because the bank made no loans in low- or moderate-income census tracts.

## **Distribution of Loans by Income Level of the Borrower**

The overall borrower distribution of small loans to businesses, home purchase, home improvement and home refinance loans reflects an adequate dispersion among borrowers of different income levels throughout the bank's assessment areas.

### ***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.

## *Oahu AA*

Distribution of small loans to business with revenues of less than one million dollars is adequate. HNB's percentage of loans to businesses is more than half of the percentage of businesses in the AA with revenues of less than one million dollars and is also less than the percentage of loans made by its peer banks. However, the majority of the bank's loans are for less than \$100,000 indicating responsiveness to the needs of the businesses in the area. The bank's market share of loan to businesses with revenues less than one million dollars is greater than its overall market share to all businesses further indicating a responsiveness to the needs of small businesses.

## Hawaii Maui AA

Distribution of small loans to businesses with revenues of less than one million dollars is adequate. HNB's percentage of loans to businesses is near the percentage of businesses with revenues of less than one million dollars but still less than peer banks in the area. However, market share to these businesses is greater than the HNB's overall market share to businesses of all revenue sizes in the AA and the majority of loans originated were for amounts less than \$100,000. Again, indicating responsiveness to the needs of small businesses.

## 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.

### Oahu AA

The cost of housing in the Oahu assessment area is one of the highest in the United States and the supply is very limited. The high cost housing coupled with below average median incomes makes home ownership and affordable home mortgages almost impossible for low-income borrowers and very difficult for moderate and middle-income borrowers. Lending to low-, moderate- and middle-income borrowers is considered significant for this reason.

Borrower distribution for home purchase and home improvement loans is considered adequate although the bank's loans to low- and moderate-income borrowers are substantially less than the percentage of low- and moderate-income borrowers in the assessment area, the bank's lending is only slightly less than peer bank. HNB's loans to middle income borrowers are almost half of the percentage of borrowers in the AA. The bank's lending volume was insufficient for market share analysis.

Home mortgage refinancing is good with the percentage of loans to middle-income borrowers very near the percentage of these borrowers in the AA and the loans to moderate-income borrowers more than half of the percentage of borrowers in the AA.

### *Hawaii Maui AA*

The HMDA lending in the Hawaii Maui AA was insufficient for analysis.

## **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.

HNB made a high level of community development loans during the evaluation period. The level of community development lending had a positive impact on the lending test. HNB made a total of 13 community development loans totaling \$2.5 million. This represents 9% of tier one capital. All loans are very responsive to the identified needs in the community.

Twelve loans totaling \$296 thousand represent participations with the Hawaii Community Reinvestment Corporation in affordable housing projects throughout the assessment areas. The projects provided 491 units of specifically designated low- and moderate-income housing throughout the Hawaiian Islands.

One loan for \$2.25 million was made by the bank to fund an infrastructure project to provide telecommunication lines and equipment for the Hawaiian Home Lands. The project will provide the infrastructure necessary to make the land viable as home sites for native Hawaiians. The bank also provided the project a line of credit for an additional \$1.2 million. The line had not been used at the time of the evaluation. More than 50% of Hawaiian natives have incomes that are considered low or moderate.

Affordable housing for Hawaiian natives was identified as a need in both assessment areas. The loan was allocated to projects on land in both assessment areas.

### **Product Innovation and Flexibility**

The bank has not developed any innovative or flexible loan products. The bank partners with several other institutions to offer affordable housing loan products. Because only a small number of loans have been made under the program, these products have a neutral impact on the bank's CRA performance evaluation.

Hula Mae - a program established by the state of Hawaii to provide mortgage loans for the benefit of low- and moderate-income families. The bank made two loans under this program during the evaluation period.

Seattle Federal Home Loan Bank - HNB participates in the Homestart Plus Savings program with the Federal Home Loan Bank of Seattle. The program matches savings of low- and moderate-income persons to help them accumulate the down payment for a first time home purchase loan. The bank has not had any participants in this program.



## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

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

The bank's performance under the investment test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the Oahu AA and the Hawaii Maui AA is good.

The bank's investments are considered responsive to the needs of the community and the level is good considering the limited number of qualified investments available in the assessment areas. See the "Market Profile of the Assessment Areas" section for further discussion of the opportunities for investment.

Investments totaled 1.48% of tier one equity capital. Investments amounted to \$396,898 in total with \$386,366 benefiting the entire state of Hawaii although predominately benefiting the two assessment areas, \$10,030 specifically benefiting Oahu and \$500 benefiting Maui. The largest investments are to an SBIC benefiting small businesses and LMI targeted donations to the Red Cross and the United Way. Examples of grants and investments are discussed below.

HMS Hawaii - The bank, through its affiliate KJL Associates continues to fund its investment in the HMS Hawaii SBIC, one of only four Small Business Investment Corporations or Certified Development Companies licensed in the state. The SBIC uses the funds for Hawaiian start up companies and programs that benefit small business to provide jobs and revitalize the economy. The \$100 thousand in prior evaluation period investments represents an earlier investment in HMS that continues to support funding of programs benefiting small businesses.

Aloha United Way - The bank and its affiliates donated \$19,500 to United Way programs targeted to low and moderate income persons in Hawaii.

Red Cross - The bank and its affiliates donated \$29,500 to Red Cross programs specifically targeted to loan and moderate income persons in Hawaii.

Filipino Community Center - \$4000 of a \$10000 commitment was granted to the Filipino Community Center to fund the building of the community center that is located in a designated enterprise zone and a designated Federal Weed and Seed zone. The center will serve to revitalize and stabilize the area.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

Hawaii National Bank's performance under the Service Test is rated "Outstanding". Based on a full scope review the bank's performance in the Oahu and Hawaii Maui assessment areas is excellent.

#### 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.

HNB provides banking services that are readily accessible to geographies and individuals of different income levels in its assessment areas. Of the 14 total branches located in the assessment area 11 are in the Oahu AA and three are in the Hawaii Maui AA. In the Oahu AA, 18% of the bank's branches are located in low income geographies, 18% are in moderate income geographies, 55% are in middle income geographies and 9% are in upper income geographies. In the Hawaii Maui assessment area 33% are in moderate-income geographies and 67% are in middle-income geographies. This distribution is excellent and correlates well with the distribution of population throughout the assessment area.

HNB has neither opened nor closed any branches in its assessment area during the evaluation period.

Bank services are tailored to the needs of the assessment areas, and do not vary in a way that would inconvenience portions of the assessment area, particularly low- and moderate-income individuals or geographies. The bank offers the same level of service and convenience at all of its branches.

HNB has thirteen deposit-taking ATMs and with the exception of one located in a middle income geography near downtown Honolulu all are located in branches throughout its assessment areas. Twelve are located in the Oahu AA and are distributed 17% in low-income geographies, 17% in moderate-income geographies, 58% in middle-income geographies and 8% in upper income geographies. The one ATM located in the Hawaii Maui AA is in a moderate-income geography.

HNB provides alternative delivery systems such as toll-free Bank-by-Phone, Bank-by-Mail, and Electronic Benefits Transfer. Since the bank provided no data on the benefit of these alternative delivery systems to low- and moderate-income persons and geographies, we could not give significant weight to these services when drawing CRA performance conclusions. Bilingual services are available through a network of employees throughout the bank that speak Chinese, Filipino, Korean, Spanish, Japanese, French, and Vietnamese.

The bank has three services specifically tailored to the needs of low and moderate-income account holders:

- Bank has established “Household accounts “ for account holders with lower minimum opening balances, maintenance fees and no charges for 5 checks per month as a service to low and moderate-income persons.
- A low cost checking account for those receiving electronic benefits transfers from the federal government.
- The bank also has established lock box arrangements with five low-income rental housing projects that will allow renters without checking accounts to make their rent payments at any branch.

## **Community Development Services**

HNB provides a high level of community development services for an institution of its size. These services are very responsive to the identified need of the assessment areas particularly in the areas of affordable housing and small business, and neighborhood revitalization. During the evaluation period, members of various levels of management in the bank and its affiliates contributed more than 1,645 hours of financial technical assistance to 23 organizations or programs that support small business, affordable housing, or provide community development services to low- and moderate-income persons within the Oahu and Hawaii Maui AA. The bank also provides meeting facilities free of charge to several of the groups. A break down by assessment area and some examples of these services are listed below.

### Statewide

- Ongoing monthly or quarterly participation in six organizations promoting small business lending, affordable housing or other community services.
- HNB CEO and President Warren Luke serves as a director and one of the founding members of the Hawaii Community Reinvestment Corporation. A community development financial institution (CDFI) that channels investments and funds into affordable housing throughout Hawaii. The bank’s participation in 12 multifamily affordable housing loans was made through this organization.
- The bank participated in a US Treasury sponsored workshop to study the issues of lending on Native American and Hawaiian homelands

### Island of Oahu

- Ongoing monthly or quarterly participation in four different organizations promoting small business, affordable housing or other community services.
- The bank participated in six workshops or events that promoted small business,

affordable housing or other community services. Four of these provided services very responsive to the needs of the small business community.

- Hawaii Community Loan Fund - a member of management serves on the Finance Committee. This organization assists in community based economic development for disadvantaged individuals, or economically distressed communities.

#### Islands of Maui and Hawaii

- Ongoing monthly participation in three different organizations that promote small business, affordable housing or other community services.
- A member of bank management serves as chairman of the rural development loan committee for Lokahi Pacific a CDFI providing funds for rural economic 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 non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/99 to 12/31/01) Investment and Service Tests and CD Loans: (05/01/99 to 04/15/02)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Hawaii National Bank (HNB) Honolulu, Hawaii	Small loans to businesses, HMDA and community development loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
No affiliate loan products were reviewed		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Oahu/Honolulu MA #3320 Hawaii Maui Non-metropolitan area	Full Scope Full Scope	Assessment Area within 3320

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

### Table of Contents

#### Market Profiles for Areas Receiving Full-Scope Reviews

[Oahu MA](#).....B-1

Hawaii Maui AA.....B- 2

Hawaii National Bank serves three assessment areas covering the most populous areas of the islands of Oahu, Maui, and Hawaii. The bank’s assessment areas include the bank’s 14 branch locations and do not arbitrarily exclude any low- and moderate-income areas. The bank’s assessment areas are more fully described below:

#### Oahu MA

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	142	3%	20%	41%	31%	5%
Population by Geography	528,587	2%	20%	44%	33%	1%
Owner-Occupied Housing by Geography	91,575	0%	8%	44%	48%	0%
Businesses by Geography	23,910	5%	23%	52%	18%	2%
Farms by Geography	281	2%	10%	53%	35%	0%
Family Distribution by Income Level	128,344	18%	18%	22%	42%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	46,645	4%	36%	45%	15%	0%
Median Family Income		Median Housing Value			=	
HUD Adjusted Median Family Income for 2001	= \$45,313	Unemployment Rate			= \$293,372	
Households Below the Poverty Level	= \$62,400				= 4.1%	
	= 7.34%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 U.S. Census, and XXXX HUD updated MFI.

Oahu MA is situated within the Honolulu MSA, which includes the entire island of Oahu. The island of Oahu has about 70% of the state’s population and is the site of state government. This island also has the highest proportion of the state’s tourism industry and population.

HNB’s assessment area is only a portion of the Honolulu MSA. However, the assessment area includes most of metropolitan Honolulu. The assessment area includes the leeward side of the island of Oahu from Pearl City, to Makapuu point on the eastern end of the island. The assessment area extends north to include the communities of Kaneohe and Kailua on the windward side of the island. This portion of the Honolulu MSA includes most of the residential and business sections of Honolulu.

**Hawaii Maui Non-MSA Assessment Area**

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	21	0	14%	48%	29%	9%
Population by Geography	83,383	0%	15%	61%	24%	0%
Owner-Occupied Housing by Geography	16,634	0%	11%	62%	27%	0%
Businesses by Geography	8,052	0%	26%	61%	13%	0%
Farms by Geography	106	0%	15%	70%	15%	0%
Family Distribution by Income Level	20582	18%	16%	23%	43%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6983	0%	26%	59%	15%	0%
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$37,990 = \$51,700 = 10.04%	Median Housing Value Unemployment Rate		=\$166280 = 6.8%/4.8%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

HNB has selected two assessment areas located in the Non-MSA portion of the State of Hawaii. One assessment area is on the Islands of Maui and Hawaii. These two assessment areas are combined for purposes of this analysis since the two islands contain a smaller portion of the state’s population.

HNB’s Maui assessment area includes the most populous areas of the island in the Kahului and Kihei corridor. The assessment area includes the island’s largest community. HNB acquired these two branches in 1995 from a failed bank. HNB has experienced slow loan and deposit growth in this market. Employment on this island is extremely reliant on tourism.

The State of Hawaii attempted to establish a high technology industry in an effort to diversify the economy. HNB's assessment area on the island of Hawaii includes the census tracts in and around the community of Hilo on the island's northeast coast. The community of Hilo is the island's largest unincorporated community and administrative center for the island of Hawaii. Hilo is severely economically depressed due to the loss of sugar cane industry in the early 1990's. State and county government are the largest employers in the community.

### **General Discussion of Conditions Affecting Both Assessment Areas**

The Hawaiian economy during the time period covered by this evaluation was just beginning to emerge from ten consecutive years of economic downturn, as evidenced by increasing growth and employment rates, when the events of September 11 and the prior slow down in the mainland US economy caused a reversal of previous economic gains. The reversal is not expected to be permanent but resumption of positive trends is not expected until the middle of 2002.

According to First Hawaiian Bank's economic report, "prior to September 11, Hawaii's economy finally had emerged from one of the most lackluster decades in modern times." Hawaii was in its "third year of a healthy expansion in 2001. Jobs were being created and tax revenues were growing. Unemployment fell in recent years reaching a low of 4.3% in 2000. In 2001, a slowing economy saw a civilian unemployment rate stabilize and creep up a little to 4.4%."

Opportunities for community development lending and investment are limited. The state government is experiencing a fiscal crisis that impacts the opportunities for banks to partner with state agencies for community development investments and loans. We contacted several state agencies and determined that there are a limited number of bonds or other financial instruments available for investment. Also, low-income housing tax credits are managed through a consortium of banks with no opportunity for investment by individual banks. The bank participates in this consortium.

With regard to the housing needs in Hawaii, median home prices continue to appreciate and the housing price index continues to be one of the highest in the nation. In Hawaii, there is a growing need for affordable housing. According to the State of Hawaii Consolidated Plan Housing and Homeless Needs Assessment conducted in 1997, the largest categories of housing needs are for units affordable to households earning below 50% and from 50%-80% of the median income. It is estimated that approximately 11,000 units affordable to households earning 80% of the median income and below will be needed from 1999 – 2003.

Of particular interest are the affordable housing needs of the native Hawaiian beneficiaries of the Hawaiian Home Lands Trust. Approximately 70% of the tenants in public housing are of Hawaiian descent, with about 75% of this number eligible for an award of Hawaiian Home Lands.



## Assessment Area Needs

As part of our examination, we contacted several state government organizations and reviewed community contacts made by other regulatory agencies. We also reviewed the consolidated plans for the counties of Honolulu, Maui, and Hawaii. The community groups and governmental agencies identified the following community needs:

### Lending

- Small business loans including micro loans.
- Loans for the development of affordable housing including multi-family rental units.
- Infrastructure such as roads , bridges, sewers, needed to support development of additional affordable housing.
- Participation in revolving loan funding targeted at community redevelopment .
- Participation in home purchase programs to assist low- and moderate-income home buyers
- Rehabilitation loans for low- and moderate-income rental properties.
- Development of elderly housing units.
- Business start-up capital.

### Investments

- Cash contributions or grants to community development loan fund organizations for operation expenses.
- Low income housing tax credits are available through the state to qualifying projects. However, the projects are managed and funded through a consortium of banks (HCRC). HNB is a member of this consortium.

### Services

- Credit counseling and training among less financially sophisticated individuals.
- Low cost deposit accounts for low-income people.
- Technical assistance in administering community loan funds, including accounting and lending expertise.
- Mentoring for new small business owners.
- Aid in developing training materials and courses for small business borrowers.

## 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: 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. Tables without data are not included in this PE.

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. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- 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. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**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: HAWAII NATIONAL BANK				Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002						
MA/Assessment Area (2002):	% 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>												
Hawaii Maui AA	13.36	21	3,394	162	9,078	0	0	5	1,665	188	14,137	9.57
Oahu AA	86.64	138	30,353	1,072	99,281	1	90	8	878	1,219	130,602	90.43

\* Loan Data as of April 15, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is From January 01, 1999 to April 15, 2002.

\*\*\* Deposit Data as of June 30, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

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**Table2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: HAWAII NATIONAL BANK					Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	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>																
Hawaii Maui AA	3	10.00	0.00	0.00	10.84	0.00	62.56	66.67	26.60	33.33	0.00	0.00	0.00	0.00	0.00	
Oahu AA	27	90.00	0.12	0.00	8.29	14.81	43.50	48.15	48.09	37.04	0.19	0.00	0.34	0.16	0.17	

\* Based on 2000 Peer Mortgage Data: Western Region.

\*\* 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 housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: 1000014911 HAWAII NATIONAL BANK

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

Geographic Distribution: HOME IMPROVEMENT		Geography: HAWAII NATIONAL BANK						Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002							
MA/Assessment Area:	Total Home Improvement 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>															
Hawaii Maui AA	2	20.00	0.00	0.00	10.84	0.00	62.56	0.00	26.60	100.00	0.00	0.00	0.00	0.00	0.00
Oahu AA	8	80.00	0.12	0.00	8.29	25.00	43.50	25.00	48.09	50.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Western Region.

\*\* 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 housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

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

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: HAWAII NATIONAL BANK					Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	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>																
Hawaii Maui AA	16	13.45	0.00	0.00	10.84	0.00	62.56	62.50	26.60	37.50	0.23	0.00	0.00	0.16	0.51	
Oahu AA	103	86.55	0.12	0.00	8.29	10.68	43.50	42.72	48.09	46.60	0.37	0.00	1.21	0.50	0.16	

\* Based on 2000 Peer Mortgage Data: Western Region.

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

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.



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

Geographic Distribution: MULTIFAMILY															Geography: HAWAII NATIONAL BANK					Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002				
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	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp							
<b>Full Review:</b>																								
Oahu AA	0	0.00	2.88	0.00	29.05	0.00	60.76	0.00	7.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00								
Hawaii Maui AA	0	0.00	0.00	0.00	23.09	0.00	71.33	0.00	5.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00								

\* Based on 2000 Peer Mortgage Data: Western Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

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

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: HAWAII NATIONAL BANK				Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002				
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>																				
Hawaii Maui AA	162	13.13	0.00	0.00	26.09	11.73	60.62	66.67	13.28	21.60	1.10	0.00	0.69	1.30	1.79					
Oahu AA	1,072	86.87	5.27	2.71	22.91	33.02	52.38	47.20	17.53	15.02	2.51	1.54	4.38	2.32	1.87					

\* Based on 2000 Peer Small Business Data: US&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 (2001).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS															Geography: HAWAII NATIONAL BANK					Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*													
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Overall	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
Hawaii Maui AA	0	0.00	0.00	0.00	15.09	0.00	69.81	0.00	15.09	0.00	0.00	0.00	0.00	0.00	0.00									
Oahu AA	1	100.00	1.42	0.00	9.96	0.00	53.38	0.00	35.23	100.00	11.11	0.00	0.00	14.29	0.00									

\* Based on 2000 Peer Small Business Data: US&PR.

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

\*\*\* Source Data - Dun and Bradstreet (2001).

Institution ID: 1000014911 HAWAII NATIONAL BANK

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

Borrower Distribution: HOME PURCHASE		Geography: HAWAII NATIONAL BANK					Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002					Market Share*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
<b>Full Review:</b>																
Hawaii Maui AA	3	10.00	17.84	0.00	16.09	33.33	23.22	0.00	42.85	66.67	0.00	0.00	0.00	0.00	0.00	
Oahu AA	27	90.00	18.06	3.70	18.28	3.70	22.30	11.11	41.36	81.48	0.20	0.00	0.00	0.00	0.37	

\* Based on 2000 Peer Mortgage Data: Western Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 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.

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

Borrower Distribution: HOME IMPROVEMENT		Geography: HAWAII NATIONAL BANK					Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002					Market Share*				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers							
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Hawaii Maui AA	2	20.00	17.84	0.00	16.09	0.00	23.22	0.00	42.85	100.00	0.00	0.00	0.00	0.00	0.00	
Oahu AA	8	80.00	18.06	0.00	18.28	12.50	22.30	12.50	41.36	75.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2000 Peer Mortgage Data: Western Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 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.

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

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: HAWAII NATIONAL BANK					Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002					Market Share*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers							
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Hawaii Maui AA	16	13.45	17.84	0.00	16.09	6.25	23.22	18.75	42.85	75.00	0.28	0.00	0.00	0.49	0.29	
Oahu AA	103	86.55	18.06	5.83	18.28	12.62	22.30	20.39	41.36	61.17	0.45	0.00	0.90	0.21	0.49	

\* Based on 2000 Peer Mortgage Data: Western Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

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

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**Table11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: HAWAII NATIONAL BANK			Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002				
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>									
Hawaii Maui AA	162	13.13	86.04	62.96	86.42	9.88	3.70	1.10	1.38
Oahu AA	1,072	86.87	81.84	49.25	77.33	12.97	9.70	2.51	2.65

\* Based on 2000 Peer Small Business Data: US&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 - 2001).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 5.75% of small loans to businesses originated and purchased by the bank.

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**Table12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: HAWAII NATIONAL BANK			Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% 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>									
Hawaii Maui AA	0	0.00	83.02	0.00	0.00	0.00	0.00	0.00	0.00
Oahu AA	1	100.00	82.92	100.00	100.00	0.00	0.00	11.11	25.00

\* Based on 2000 Peer Small Business Data: US&PR.

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

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.



**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: HAWAII NATIONAL BANK				Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002			
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>									
Hawaii Maui AA	1	25	1	1	2	26	5.23	0	0
Oahu AA	1	75	29	396	30	471	94.77	1	6

\* 'Prior Period Investments' means investments made in a previous evaluation 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: HAWAII NATIONAL BANK				Evaluation Period: JANUARY 1, 1999 TO APRIL 15, 2002									
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	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>																	
Hawaii Maui AA	9.57	3	21	0.00	33.33	66.67	0.00	0	0	0	0	0	0	0.00	15.46	60.84	23.68
Oahu AA	90.43	11	79	18.18	18.18	54.55	9.09	0	0	0	0	0	0	1.77	20.63	43.87	32.91