



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

July 31, 2006

**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 48th Street, Suite 265
Phoenix, Arizona 85044**

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.

Description of Institution

Los Alamos National Bank (LANB) is an independent 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 18,000 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, and acquired an appraisal company in 2005, intended to expand financial services, as well as provide speed and cost savings to its customers. In 1989, the LANB became the sixth largest bank in New Mexico and is now the largest independent community bank located only in New Mexico. As of June 30, 2006, LANB had total assets of \$1.27 billion, net loans of \$1 billion, and Tier 1 Capital of \$107.4 million.

LANB operates four full-service branches in its assessment areas (AA); two branches are in the Santa Fe Metropolitan Statistical Area (MSA), two in Los Alamos County. The bank also operates and services 29 ATMs, including three in the adjacent Rio Arriba County. LANB opened its first full-service branch in the city of Santa Fe in 1999 and its second branch in August 2004. The AA delineations meet the legal requirements of the Community Reinvestment Act (CRA) and do not arbitrarily exclude low- or moderate-income (LMI) geographies.

LANB is a strong construction, residential and commercial real estate lender. The composition of the loan portfolio includes: construction and commercial real estate and multi-family loans, 55%; residential real estate and home equity loans, 31%; commercial loans, 9%; and other consumer loans, 5%. LANB is active in the residential mortgage market. During the evaluation period, the bank sold \$695 million in residential mortgages to the secondary market. At 12/31/05, the balance of sold loans for which LANB retained servicing rights was \$943 million.

LANB operates in a highly competitive environment where 341 lenders reported residential mortgage loan originations in the Santa Fe County MSA and 157 lenders reported originations in the Los Alamos AA in 2004. Competition for small business loans is also strong. In the Santa Fe MSA and Los Alamos AA, 61 and 27 lenders reported originated small loans to businesses, respectively in 2004. LANB ranked fourth in deposit market share with 16% of the Santa Fe MSA deposits; however, in the Los Alamos AA, the bank held 89% of deposits in 2005.

LANB received a rating of "Satisfactory" at the prior evaluation dated April 28, 2003. 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

This Performance Evaluation (PE) assesses information since the previous examination dated April 28, 2003. 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 April 29, 2003 thorough July 31, 2006. 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, 2004 thorough December 31, 2005

Selection of Areas for Full-Scope Review

When LANB's CRA performance was evaluated in 2003, Los Alamos County was part of the Santa Fe MSA. With the 2000 U.S. Census, Los Alamos County became a non-MSA area. Effective in 2004, the bank now has two AAs, the Santa Fe MSA and Los Alamos County (non-MSA). Because Rio Arriba County is adjacent to Los Alamos County, the two non-MSA areas are combined for this evaluation and are labeled "Los Alamos Non-MSA" in the Appendix section of this report. This Census change had a dramatic impact on the demographic comparators for LANB because median income for Los Alamos County (\$78,993) is more than two times the non MSA statewide median income (\$33,667). In performing full-scope reviews of both AAs, we considered this significant and relatively recent change.

Ratings

The bank's overall CRA rating is based on the full-scope reviews of the Santa Fe MSA and Los Alamos non-MSA AAs. 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.

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 lending during the evaluation period, geographic distribution and borrower distribution products are weighed as follows: 77% HMDA and 33% small loans to business. Home purchase, home improvement and home mortgage refinance products were given equal weight in arriving at an overall HMDA conclusion for each AA. Because the Los Alamos AA has no low- and moderate-income geographies, no weight was given to the geographic distribution of lending in the AA. Community development lending, when significant, enhanced Lending Test conclusions. Because of geographic changes in the bank's AAs due to the 2000 U.S. Census, only 2004 and 2005 reported data is presented in the tables in Appendix C; however our analysis of reported loans in 2003 showed that performance was similar over the entire evaluation period.

Overall CRA Rating

Institution’s CRA Rating: This institution is rated “**Outstanding**”.

The following table indicates the performance level of **Los Alamos National Bank** with respect to the lending, investment, and service tests.

Performance Levels	Los Alamos National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory			
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.

As part of our examination, we considered community credit needs, as well as the banking opportunities to meet these needs. We used information obtained from financial intermediaries and community organizations for this purpose. We learned that affordable housing is the most pressing need, but is hampered by the lack of critical resources, such as water and vacant land suitable for housing development. Our conclusions were impacted by the significant gap between the cost of housing and median family incomes in both of LANB’s AAs. Housing affordability in both the Santa Fe MSA and Los Alamos AA is such that, the qualifying income to purchase a median priced home is two to three times the median family income in that AA. Especially in the Los Alamos AA, housing costs are high and inventory is severely limited. The infrastructure for community development activities, and particularly those that would normally target affordable housing in low- and moderate-income geographies, is lacking because all the geographies in Los Alamos County are upper-income. In the Santa Fe MSA, the banking opportunities for community development loans and investments are somewhat more numerous, but still limited in relation to the significant needs.

The major factors that support this overall rating and conclusions with respect to performance tests:

- LANB’s volume of lending is excellent and the percentage of loans made in its AAs is good.
- The geographic distribution of home mortgage and small loans to businesses in the Santa Fe MSA is excellent. The Los Alamos AA has no low- or moderate-income geographies so an analysis of the geographic distribution of lending was not performed.

- The borrower distribution of home mortgage and small loans to businesses is good in the Santa Fe MSA and is adequate in the Los Alamos AA, after considering extremely high housing costs in relation to median family incomes in these AAs.
- LANB is a leader in community development lending in its AAs, both in volume and responsiveness, which enhanced Lending Test performance.
- LANB's qualified investments are adequate in volume in relation to the banking opportunities to invest, and are responsive to identified needs in its communities.
- LANB's branches are reasonably accessible to geographies and individuals of all income levels.
- The level and nature of LANB's community development services are excellent, which enhanced Service Test Performance.

LENDING

Refer to Table 1 through 13 in Appendix C for facts and data used to evaluate the bank's lending.

Performance under the lending test is rated outstanding. Performance in the Santa Fe MSA is excellent and in the Los Alamos AA, performance is good.

LANB's lending activity is excellent in the Santa Fe MSA and the Los Alamos AA. In the Santa Fe MSA, the bank's market share of small business loans is 5.56% by the number and 26% by the dollar amount of loans originated in 2004, which significantly exceeds its deposit market share of 16%. In addition, LANB's share of mortgage loans in the Santa Fe MSA is 4.35% of the number and 4.17% of the dollar amount of lending in the AA. In the Los Alamos AA, the bank's market share of small business loans is 13.7% by the number and 68.13% by the dollar amount of loans originated in 2004, which is somewhat lower than its deposit market share of 89%. However, LANB is the highest ranking local small business lender in the Los Alamos AA because the two financial institutions that reported a larger number of originated loans are credit card providers that, in aggregate, funded less than 10% of the dollars originated in 2004. In addition, LANB's share of mortgage loans in the Los Alamos AA is 49.75% by the number and 47.49% by the dollar amount of lending in the AA. LANB is an active lender in its communities. Roughly 76% of its reportable loans were made inside its AAs, which we consider to be a high percentage.

Santa Fe MSA

LANB's distribution of HMDA lending in the Santa Fe MSA is excellent. Because housing costs are very high in this MSA, many families choose to use their equity to improve or expand their current residences, rather than purchase new housing. See Appendix B for additional details. The geographic distribution of home purchase loans in both low- and moderate-income geographies is good. The geographic distribution of home improvement and mortgage

refinance loans in both low- and moderate income geographies is excellent, particularly in low-income geographies where the volume of owner-occupied units is less than 1% of those in the MSA. The bank's market share of loans in low-income geographies significantly exceeds the bank's overall market share and the percentage of loans made in low-income geographies significantly exceeds the percentage of owner-occupied units in those geographies.

Borrower distribution of HMDA lending in the Santa Fe MSA is good. Because housing costs are very high in relation to family incomes in this MSA, affordability is a significant factor. LANB's distribution of home purchase and mortgage refinance loans to families of different income levels is adequate in light of affordability. The percentage of home purchase loans to both low- and moderate-income families is significantly lower than the percentage of families of those income levels and the bank's market share of loans to families in both income categories is significantly below the bank's overall market share. The percentage of mortgage refinance loans to both low- and moderate-income families is significantly lower than the percentage of families of those income levels, although LANB's share of loans to moderate-income families substantially meets its overall market share. However, the borrower distribution of LANB's home improvement lending is excellent, particularly in light of housing affordability. While the percentage of the bank's lending to low-income families is significantly lower than the percentage of families of that income level, the bank's market share of loans to these borrowers significantly exceeds its overall market share. Lending to moderate-income families is excellent because the percentage of loans made significantly exceeds the percentage of families in this income level and LANB's market share in this income category significantly exceeds its overall market share.

LANB's geographic and borrower distribution of small loans to businesses is excellent. The distribution of small loans to businesses in low-income geographies areas is excellent because the percentage of LANB's originated loans significantly exceeds the percentage of businesses in those geographies which is approximately 2%. The distribution of small loans to businesses in moderate-income geographies is good because LANB's percentage of loans and the market share of loans to businesses substantially meet the respective comparator. LANB's distribution of small loans to businesses of different sizes is also excellent. The percentage of bank loans to businesses with revenues of less than \$1 million significantly exceeds the percentage of business in that category in the MSA. In addition, LANB's market share of these loans significantly exceeds its overall market share.

The volume and nature of community development (CD) lending in the Santa Fe MSA positively impacted Lending Test conclusions. LANB originated more than \$17 million in qualifying CD loans, representing 38% of allocated Tier 1 capital. Approximately 84% of the dollar amount is targeted to affordable housing. This activity is favorable because the loans address the AA's most significant credit need and because CD opportunities are limited. Two additional loans totaling \$435 thousand had a primary purpose of CD but are included in CRA loan data. LANB also granted a \$3.3 million letter of credit that funded a non-profit corporation for the purpose of developing and implementing a plan for affordable housing in the Santa Fe MSA.

LANB's partnership with a designated Community Development Financial Institution (CDFI) is noteworthy. The CDFI's mission is to provide credit, capital and financial services to

underserved populations and communities in the U.S. In the Santa Fe MSA, the organization promotes homeownership among low- and moderate-income people. The organization provides opportunities for successful home ownership through innovative home purchase, home improvement, and education programs to help these families realize their dream of home ownership. LANB supports the organization through a \$2 million line of credit that is used to facilitate the organization's in-house mortgages until they are sold on the secondary market. The bank provides a "lock box" service for loan payments received by the CDFI approximately (120 payments per month) at no charge. Other CD services that LANB provides to the CDFI are detailed in the Services section of this Performance Evaluation.

Los Alamos AA

The Los Alamos AA has no low- or moderate-income geographies and as a result, our analysis focuses only on borrower distribution. Because housing costs are very high in relation to family incomes in this AA, affordability is a significant factor, as is a very limited inventory of owner-occupied housing. See Appendix B for additional details.

Borrower distribution of HMDA lending in the Los Alamos AA is adequate in light of residential housing affordability. LANB's distribution of home purchase and mortgage refinance loans to families of different income levels is adequate. The percentage of home purchase and mortgage refinance loans to both low- and moderate-income families is significantly lower than the percentage of families of those income levels and the bank's market share of loans to families with moderate-incomes is significantly below the bank's overall market share. However, the bank's market share of loans to low-income families is favorable for all residential loan products in the Los Alamos AA. Because housing costs are very high in this AA, bank management reports that many families chose to use home equity to improve or expand their current residences, rather than purchase new, more expensive housing. As a result, the borrower distribution of LANB's home improvement lending is good, particularly in light of housing affordability. While the percentage of LANB's home improvement lending to low-income families is lower than the percentage of families in that income level, the bank's market share of loans to these borrowers significantly exceeds its overall market share. The market share of mortgage refinance lending to low families is also excellent because the percentage of loans made significantly exceeds the percentage of families in this income category.

LANB's distribution of small loans to businesses of different sizes is excellent in the Los Alamos AA. The percentage of bank loans to businesses with revenues of less than \$1 million significantly exceeds the percentage of business in that category. In addition, LANB's market share of these loans significantly exceeds its overall market share.

The volume and nature of LANB's CD lending had a positive impact on Lending Test conclusions in this AA. LANB has financed every affordable housing project in the Los Alamos AA that has occurred in recent years; there have been three such projects. During this evaluation period, LANB originated a \$2 million qualifying CD loan, representing 3.4% of allocated Tier 1 capital. The loan funds a housing partnership that has created 50 affordable housing units in White Rock, and was in need of funds to expand into additional affordable housing units. This activity is favorable because the loans address the AA's most significant credit need and because CD opportunities are extremely limited in the Los Alamos AA. LANB

is a leader in this partnership and bank officers are members of the Board. The organization's stated mission is to combat the deterioration of neighborhoods with low-income residents, provide new housing opportunities, ease the burden of government by offering affordable housing programs and provide new opportunities for affordable housing. Four additional loans totaling \$773 thousand had a primary purpose of CD but are included in CRA loan data. These loans fund organizations that provide CD services and affordable housing to low- and moderate-income families, including handicapped adults and children who have been victims of abuse.

INVESTMENTS

Opportunities for qualified investments in LANB's AAs are very limited, especially in the Los Alamos AA. The infrastructure for creating community development opportunities and qualified investments, particularly those that would normally target affordable housing in low- and moderate-income geographies, is lacking because all the geographies in Los Alamos County are upper-income.

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

Performance under the investment test is rated low satisfactory. In total, LANB invested \$828 thousand in its AAs, representing .8% of the bank's Tier 1 Capital. In the Santa Fe MSA and in the Los Alamos AA, performance is adequate in light of limited investment opportunities. We also considered the high volume CD lending in the Santa Fe MSA in arriving at our conclusions.

The volume and nature of qualified investments in the Santa Fe MSA is adequate. LANB funded qualified investments totaling \$128 thousand which represents .28% of allocated Tier 1 Capital. This is considered adequate because of very limited investment opportunities in the AA, as well as the relatively high volume of CD lending LANB has originated in the Santa Fe MSA. Qualified investments include grants that fund entities providing: affordable housing; economic development by financing and providing technical assistance to small businesses, as well as promoting new job creation; and services to low- and moderate-income families and individuals.

The volume and nature of qualified investments in the Los Alamos AA is adequate in light of very limited investment opportunities in this AA of roughly 25,000 residents. LANB provided 210 grants totaling \$315 thousand, representing .5% of allocated Tier 1 Capital. The grants funded entities that provide: affordable housing; economic development by financing and providing technical assistance to small businesses, as well as promoting new job creation; and services to low- and moderate-income families and individuals.

Four qualified investments totaling \$385 thousand were in entities that provide state-wide benefit, including LANB's AAs. All of the investments have an economic development purpose, in that they provide venture capital, equity or loan funding to small businesses and start-up operations. For example, one fund seeks to invest in small businesses in underserved

communities throughout New Mexico, particularly where job creation is needed. These statewide investments had a positive impact on each of the bank's AAs.

SERVICES

Performance under the service test is rated Outstanding. Based on a full-scope review of the Santa Fe MSA and Los Alamos AA, performance is excellent. LANB's has four branch offices, two in the Santa Fe MSA 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 excellent level of CD services that are responsive to the most pressing credit needs. CD services had a positive impact on the Service Test rating.

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

Although all the bank's offices in the Santa Fe MSA are located in upper- income geographies, the branch office that was opened in August 2004 is less than one-half mile from the only low-income census tract in the MSA and is highly accessible to pedestrians. The original branch location in the Santa Fe MSA was located in a middle-income geography based on the 1990 U.S. Census. However, the 2000 U.S. Census reclassified the geography as upper-income. This branch is less than one mile from a moderate-income tract and is also highly accessible to pedestrians. Therefore the percentage of offices accessible to low- and moderate-income areas exceeds the percentage of low- and moderate-income population that resides in these areas.

The Los Alamos AA has only upper-income geographies. Therefore, an analysis of the distribution of the bank's offices is not meaningful. However, the downtown location of LANB's main office makes it readily accessible to the business community, as well as residential customers. The second branch is in White Rock, a "bedroom" community located nine miles from LANB's main office, which adequately serves its residential community.

LANB offers a wide range of services that do not vary in ways that inconvenience its customers, including low- and moderate-income 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. However, 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, and bill-payment services, bi-lingual ATM locations (Spanish/English), Saturday banking hours, and offices with multi-lingual service representatives.

The level and nature of LANB's CD services is excellent. These financial services are directly related to identified community credit needs. Bank officers of all levels and employees have provided more than 3,690 hours of technical assistance in financial matters to numerous

community organizations and programs throughout the bank's AAs and a greater state-wide area that includes the AAs.

Examples of CD services that benefit the Santa Fe MSA include LANB's partnership with a CDFI described in the CD Lending section of this Performance Evaluation. LANB waives all fees and service charges to CDFI clients to include high yield interest bearing checking accounts, accounts that promote down-payment and closing cost savings, ACH transactions, and direct deposit and mortgage loan payments processing.

A senior officer is a board member of a business incubator program in the Santa Fe MSA. The organization provide affordable office and/or operations space, as well as financial consultation services, to small businesses in the MSA.

A senior bank officer is a board member of a non-profit corporation that provides builder-ready tracts of land designated for low- and moderate- priced homes for under-served families in the Santa Fe MSA.

LANB officers serve as board members, including the role of vice president, on a housing partnership in the Los Alamos AA. The mission of the organization is to combat deterioration of neighborhoods with low- and moderate-income residents, provide new housing opportunities, ease the burden of government by operating affordable housing programs, and provide new opportunities for affordable housing.

A senior bank officer serves as past-president and board member on an economic development committee whose mission is to promote economic development and job creation in the Los Alamos AA. The organization reorganized to include various aspects of small business owner education, development and financing under one umbrella, thereby eliminating duplication and improving support for small businesses in the AA. The senior bank officer chairs a committee that was formed to create an incubator-like facility that helps develop small businesses. The new business will promote technology commercialization from Los Alamos National Laboratories.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

Appendix B: Market Profiles for Full-Scope Areas

Santa Fe MSA

Demographic Information for Full Scope Area: Santa Fe MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	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	12,574	2.08	20.30	25.93	51.69	0.00
Farms by Geography	247	2.02	18.22	33.20	46.56	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 2005 Households Below Poverty Level		50,000 58,500 12%	Median Housing Value Unemployment Rate (1990 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 2005 HUD updated MFI.

The Santa Fe MSA consists of all geographies in Santa Fe County, which is a significant change from its previous boundaries. When LANB's CRA performance was last evaluated, 1990 U.S. Census data was used. At that time, the MSA consisted of 32 geographies and included the Santa Fe and Los Alamos Counties. The population was 122,890 and low- and moderate-income households represented 21.61% and 17.18% of MSA population, respectively. However, the 2000 U.S. Census significantly changed the Santa Fe MSA. Following the U.S. Census, Los Alamos County was moved out of the MSA and the number of geographies was increased to 40. The number of low-income census tracts increased to one and the number of moderate-income census tracts increased from nine to ten. The MSA population increased to 129,292 and the percentages of low-income and moderate-income families increased slightly. These changes had an impact on our conclusions because of the time it takes a financial institution to identify any lending, investment or service gaps and adjust its CRA strategy.

LANB opened its first full-service branch in the city of Santa Fe in 1999 and its second branch in August 2004. In a relatively short period of time, the bank has expanded its presence, both in lending and deposits, in spite of significant competition from financial institutions of all sizes.

The primary employment base in the Santa Fe MSA is government, including federal, state and local. 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 is a significant challenge in the MSA. Over the evaluation period, the already high median sales price of residential housing rose 34% from \$268,463 to \$360,000¹. The income needed to qualify for a median priced home rose from 140% of median family income to 188%². Yet nearly 40% of the families in the MSA are low- or moderate-income. 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.

¹ Santa Fe MLS dated 6/30/03, 6/30/05, 6/30/05 and 7/31/06.

² Qualifying income assumes 7% interest rate, 100% financing, 36% front/back end debt ratio and standard escrow amounts.

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/BNAs)	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	1,368	0.00	0.00	13.74	86.26	0.00
Farms by Geography	22	0.00	0.00	27.27	72.73	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 2005 Households Below Poverty Level		33,667 39,400 7%	Median Housing Value Unemployment Rate (1990 US Census)		71,893 3.69%	

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

Source: 2000 Census and 2005 HUD updated MFI

The Los Alamos AA is made up of Los Alamos County and one middle-income census tract in the adjacent Rio Arriba County where LANB has two deposit-taking ATMs but no physical branches. These geographies (based on the 1990 U.S. Census data) were part of the Santa Fe MSA when LANB's CRA performance was last evaluated. The reclassification of the county as non-MSA results in a median family income of \$33,667 which is based on all the non-MSA areas of New Mexico. In contrast, the median family income in Los Alamos County alone is 135% greater at \$78,993, therefore all geographies in this county are considered upper-income. In addition, only 14% of the families are low- or moderate-income.

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. The service industry is the second most dominant in the AA. Contributing to its geographic isolation, the city of Los Alamos remained a "closed community" for national security purposes for over 20 years. Los Alamos County is land-locked on top of a mesa resulting in a shortage of available land for residential development, as most adjacent areas are owned by federal or tribal governments.

Not surprisingly, housing affordability is a significant challenge in the MSA. Over the evaluation period, the already high median sales price of residential housing rose 27% from \$240,000 to \$314,500³. The income needed to qualify for a median priced home rose from 188% of median family income to 245%⁴. A major factor is absence of available land for building new residences. The local community has not created a supportive infrastructure for community development activities in this AA.

³ Los Alamos MLS dated 12/31/03, 12/31/04, 12/31/05 and 7/31/06.

⁴ Qualifying income assumes 7% interest rate, 100% financing, 36% front/back end debt ratio and standard escrow amounts.

Appendix C: Tables of Performance Data

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.

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 in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- 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. *This table is not included in this Performance Evaluation because the data is no longer required to be reported during the latter part of the evaluation period.*

- 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. *This table is not presented because the bank did not report originated loans of this type.*
- 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. *This table is not presented because the bank did not report originated loans of this type.*

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. *This table is not presented because the bank did not report originated loans of this type.*

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 in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

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: NEW MEXICO						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005				
MA/Assessment Area (2005):	% 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)	
Full Review:												
Santa Fe MSA	50%	1,270	244,587	668	97,778	0	0	8	15,389	1,946	357,754	43%
Los Alamos AA	50%	1,729	270,229	239	37,151	0	0	1	2,063	1,969	309,443	57%

* Loan Data as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from April 29, 2003 to July 31, 2006.

*** Deposit Data as of August 31, 2006. 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: NEW MEXICO						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005							
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
Full Review:															
Santa Fe MSA	512	36.7	0.84	0.79	24.88	18.55	36.23	32.42	38.05	48.24	5.41	2.22	5.68	4.96	5.68
Los Alamos AA	883	63.3	0.00	0.00	0.00	0.00	25.10	2.15	74.90	97.85	59.10	0.00	0.00	19.23	62.13

* Based on 2004 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: NEW MEXICO						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005						
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
Full Review:															
Santa Fe MSA	73	46.79	0.84	1.37	24.88	34.25	36.23	38.36	38.05	26.03	8.92	25.00	20.29	10.30	3.19
Los Alamos AA	83	53.21	0.00	0.00	0.00	0.00	25.10	16.87	74.9	83.13	69.86	0.00	0.00	71.43	69.49

* Based on 2004 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: NEW MEXICO						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005						
MA/Assessment Area:	Total Home Mortgage Refinance 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
Full Review:															
Santa Fe MSA	685	47.31	0.84	1.75	24.88	23.21	36.23	28.12	38.05	46.86	13.50	8.22	8.76	6.38	19.82
Los Alamos AA	763	52.69	0.00	0.00	0.00	0.00	25.10	7.21	94.90	92.79	61.79	0.00	0.00	26.23	68.46

* Based on 2004 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 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: NEW MEXICO								Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005					
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 Busi-nesses***	% BANK Loans	% of Busi-nesses***	% BANK Loans	% of Busi-nesses***	% BANK Loans	% of Busi-nesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Santa Fe MSA	668	73.65	2.08	2.25	20.30	16.92	25.93	27.69	51.69	52.69	5.59	7.44	4.83	6.16	6.42
Los Alamos AA	239	26.35	0.00	0.00	0.00	0.00	13.74	4.60	86.26	95.40	13.84	0.00	0.00	6.14	31.97

* Based on 2004 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 (2005).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: NEW MEXICO						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005							
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
Full Review:															
Santa Fe MSA	512	36.70	22.01	1.37	17.85	6.05	18.69	13.48	41.25	75.39	6.27	2.80	3.87	4.45	8.03
Los Alamos AA	883	63.30	6.19	0.00	7.74	0.57	8.12	2.38	77.95	90.37	61.80	50.00	28.57	41.30	63.77

* Based on 2004 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 5.59% 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: NEW MEXICO						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005							
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
Full Review:															
Santa Fe MSA	73	46.79	22.01	10.96	17.85	16.44	18.89	17.81	41.25	46.58	8.68	12.24	9.64	6.80	8.33
Los Alamos AA	83	53.21	6.19	2.41	7.74	3.61	8.12	1.20	77.95	75.90	67.19	100.0	50.0	0.00	70.69

* Based on 2004 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 12.82% 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: NEW MEXICO				Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005							
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	Overall	Low	Mod	Mid	Upp
Full Review:															
Santa Fe MSA	685	47.31	22.01	2.34	17.85	9.78	18.89	14.89	41.25	65.55	7.22	6.37	4.59	5.51	9.03
Los Alamos AA	763	52.69	6.19	0.79	7.74	1.70	8.12	2.36	77.95	84.27	61.93	66.67	22.58	44.07	65.66

* Based on 2004 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 9.25% 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: NEW MEXICO				Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005			
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		
Full Review:											
Santa Fe MSA	668	73.65	68.47	87.72	61.98	20.96	17.07	5.59	11.72		
Los Alamos AA	239	26.35	64.62	87.45	59.00	21.34	19.67	13.84	32.82		

* Based on 2004 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 - 2005).

**** 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 0.00% of small loans to businesses originated and purchased by the bank

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: NEW MEXICO				Evaluation Period: APRIL 29, 2003 TO JULY 31, 2006			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Santa Fe MSA	0	0	91	128	91	128	25%	0	0
Los Alamos AA	0	0	210	315	210	315	34%	0	0
Statewide - New Mexico	0	0	4	385	4	385	41%	3	215

* '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: NEW MEXICO Evaluation Period: APRIL 29, 2003 TO JULY 31, 2006																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# 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
Full Review:																	
Santa Fe MSA	43%	2	50%	0.00	0.00	0.00	100%	1	0	0	0	0	1	1.40	29.81	35.71	33.08
Los Alamos AA	57%	2	50%	0.00	0.00	0.00	100%	0	0	0	0	0	0	0.00	0.00	25.72	74.28

Distribution of Branch and ATM Delivery System																	
Geography: NEW MEXICO Evaluation Period: APRIL 29, 2003 TO JULY 31, 2006																	
MA/Assessment Area:	Deposits	Branches						ATMs						Population			
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Santa Fe MSA	43%	2	50%	0.00	0.00	0.00	100%	11	43%	0	2	1	8	1.40	29.81	35.71	33.08
Los Alamos AA	57%	2	50%	0.00	0.00	0.00	100%	18	57%	0	0	3	15	0.00	0.00	25.72	74.28