



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**September 24, 2001**

# **Community Reinvestment Act Performance Evaluation**

**First National Bank of Anchorage  
Charter Number: 12072**

**101 West 36<sup>th</sup> Avenue  
Anchorage, AK 99503**

**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 “Outstanding”.

The following table indicates the performance level of **First National Bank of Anchorage** with respect to the Lending, Investment, and Service Tests:

<b>Performance Levels</b>	<b>First National Bank of Anchorage Performance Tests</b>		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		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:

- An overall excellent level of lending activity characterized by good geographic distribution and excellent borrower distribution. An excellent amount of CD loans that are responsive to important community needs. Use of innovative and flexible loan programs that enhanced lending performance.
- A good level of investments that meets important community development needs.
- An excellent distribution of the bank’s branch delivery system, augmented by a good level of community development services that are responsive to identified needs in the bank’s assessment areas.

## **Definitions and Common Abbreviations**

The following terms and abbreviations are used throughout this performance evaluation. 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.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. The U.S. Census Bureau has established BNAs in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the U.S. Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable 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.

**Full-Scope Review** - Performance under the lending, investment, and service tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

**Limited-Scope 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, branch distribution).

**Low-Income** - Income levels that are less than 50 percent of the median family income.

**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 Statistical Area (MSA)** - Area defined by the director of the U.S. Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80 percent and less than 120 percent of the MFI.

**Moderate-Income** - Income levels that are at least 50 percent and less than 80 percent of the MFI.

**Small Loans to Businesses** - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Loans to Farms** - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 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** - Income levels that are 120 percent or more of the MFI.

## Description of Institution

During the examination, First National Bank of Anchorage (FNBA) received regulatory approval to change its name to First National Bank Alaska. However, for this evaluation period, the former name applies. FNBA is the largest independently owned bank in Alaska. It is an intrastate bank that has no affiliates. The bank is headquartered in Anchorage, with a significant amount of its business activity and facilities concentrated in that MSA.

The bank was founded in 1922 and operates as a full service bank, providing an array of financial services to the communities it serves. FNBA operates 27 branches and 35 ATMs in ten assessment areas. Additionally, the bank operates another 16 ATMs located outside of its assessment areas. Services offered by the bank include a variety of deposit account products, loan products, safe deposit boxes, night depositories, drive-up facilities, and an Internet site. The bank also offers Trust and Private Banking services. FNBA continues to enhance its products and services to help meet the diverse needs of the communities it serves. There was no merger or acquisition activity that affected the scope of the bank's operations during the evaluation period. For a more detailed description of products and services please see the Service Test part of this Performance Evaluation.

As of June 30, 2001, FNBA reported total assets of \$1.650 billion. Total loans were \$848 million, total deposits were \$980 million, and Net Tier 1 Capital was \$388 million. The bank reported net income of \$31 million for 2000. It is important to note that FNBA's capital is equal to three times the average for peer banks, and its earnings are significantly above peer group averages. These financial indicators show a good capacity for CRA performance. But, the bank's extremely high amount of capital distorts any comparison of its CD loans and investments to its Net Tier 1 capital, by making its percentages of loans and investments seem low in relation to other banks. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment areas.

The strategic focus of FNBA is to become the primary bank for a majority of the businesses in its market. This focus on commercial lending is reflected in the breakdown of FNBA's loan portfolio. About 36% of gross loans are secured by commercial real estate; 24% are commercial and industrial loans; 13% are construction and development loans; 13% are secured by 1-4 family residential real estate; 4% are secured by multifamily residential real estate; 7% are credit card, home equity, or individual loans; 2% are municipal loans; and 1% are agricultural loans. Other strategic goals are to improve services to rural parts of Alaska, upgrade facilities, and increase efficiency.

Institutions that endeavor to serve financial needs throughout the State of Alaska encounter special challenges. Those challenges are embedded in the unique geographic, climatic, and demographic characteristics of the state. The rural population is spread out over a vast expanse of territory that includes remote islands and peninsulas. Basic infrastructure is lacking in most rural areas. There are no road systems connecting many towns and villages. Transportation and communication costs are high. Climatic conditions can be extreme in much of the state, further hampering the movement of people and goods. The operational cost of delivering even basic financial services through an ATM to a remote town or village that is only accessible by boat or small airplane can be prohibitive. And it is impractical to establish branches in most of the remote towns and villages.

FNBA was last examined under the CRA using performance information through June 30, 1998, and was rated "Satisfactory".

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This evaluation assesses the bank's performance from July 1, 1998, through June 30, 2001. HMDA and CRA reportable lending activity from July 1, 1998, through June 30, 2001, were evaluated. We considered all Community Development, Investment Test, and Service Test information from that same period. Home purchase, home refinance, small business, and community development loans were reviewed in conjunction with the Lending Test. Additionally, any special loan programs offered by the bank were included in our analysis to the extent appropriate. The Investment Test focused on review of qualifying investments, grants, and donations. Community development services, retail banking locations, and retail banking services were reviewed in connection with the Service Test. The bank did not submit optional consumer loan information for consideration, so optional Table 13 was not included in the Appendix C. For more information about the scope of this evaluation please refer to Appendix A.

### **Data Integrity**

We reviewed the bank's system of internal controls to ensure the integrity of its loan reporting process. The review found that FNBA's internal controls, which include extensive loan data testing procedures, are satisfactory. The bank's publicly reported HMDA and CRA loan data is accurate. The accuracy of FNBA's investment, service, and community development data was verified during this CRA examination. The data was corrected for errors found in the CD loan and investment information. This analysis is based on accurate data.

### **Selection of Areas for Full-Scope Review**

FNBA operates primarily in ten assessment areas in Alaska. One assessment area is comprised of the Anchorage MSA and the other nine are noncontiguous full or partial boroughs in rural Alaska. We selected the Anchorage MSA for a full-scope review and the Non-MSA areas as a group for a limited scope review. The Anchorage assessment area is by far the single most important one to the bank's operations. So FNBA's CRA performance in Anchorage is substantially representative of its overall performance. See Appendix B for a complete description of the Anchorage MSA assessment area.

For brevity and simplicity of analysis, the performance data for the rural assessment areas is combined into one Non-MSA area in the tables in Appendix C. Because the performance data for the rural assessment areas is combined, the relative importance of the Anchorage MSA to the bank's operations is not readily apparent. As shown in Table 1, Appendix C, FNBA receives 57% of its total deposits from the Anchorage MSA. By contrast, the most significant source of deposits in the nine rural assessment areas is the Kenai Peninsula, contributing 11%. Similarly, FNBA makes 44% of its loans in the Anchorage MSA, whereas its second highest concentration of loans is in the Fairbanks assessment area, at 18%. These comparisons demonstrate the importance of the Anchorage MSA.

### **Ratings**

The bank's overall rating is based primarily on the assessment area that received a full-scope review. In general, the performance in each assessment area is weighted according to the percentage of deposits received from that area. Hence, FNBA's performance in the Anchorage Assessment Area carries the most weight in developing the overall conclusions for the bank.

## Other

We considered information already on file that was obtained through interviews with representatives of organizations serving the community. Also, during this examination we interviewed an officer from a state housing corporation and an officer from a small business development center. And we perused articles in local publications that discussed community needs. These sources identified needs for banks to make home mortgage loans, finance affordable housing, and make loans to small businesses. In addition, there are needs for financial education, programs and jobs for Native Americans, home ownership counseling, loans that contribute to the redevelopment of targeted commercial districts, loans for physical improvements, and assistance in applying for business credit.

Further, we reviewed the Executive Summary of the 1995 Consolidated Plan for Anchorage on file with the U.S. Department of Housing and Urban Development, and updated information available in the draft 2001 Anchorage Bowl Comprehensive Plan. Those sources stated needs for housing for low-income families, rent and homeownership assistance programs, rehabilitation of existing housing, demolition of deteriorated housing coupled with new construction, assistance for first time homebuyers, and home maintenance training. Other needs discussed were for assisted living facilities, Single Room Occupancy apartments, transitional housing, shelters for the homeless, recreation facilities and parks, sidewalk and lighting improvements, improved handicapped access, upgraded infrastructure, youth transportation and activities, substance abuse services, employment services, health services, and economic development.

Information obtained from the bank and the sources mentioned above identify essentially the same needs for the Non-MSA assessment areas. There are also important needs for affordable new housing, rehabilitation of existing housing, access to basic financial services, and educational facilities in Native American villages located in rural Alaska. Some of these villages are quite isolated, accessible only by boat or small airplane. Most rural villagers live traditional, subsistence lifestyles as a matter of choice and economy. Access to an ATM machine can be important to people living in such circumstances. The needs for banking services in these remote villages are critical.

Alaska has a higher percentage of Native Americans in its population, almost 22% as of the 1990 U.S. Census, than any other state. A majority of the Native Americans live on tribal lands, where housing and other needs are not adequately met. Making HMDA loans, or any other kind of real estate secured loans, to persons who live on tribal lands is difficult due to collateral issues. This places a premium on financial institutions that are willing to exert extra effort to find ways to make loans to help meet the need for housing.

## **Fair Lending Review**

An analysis of three years of public comments and two years of consumer complaint information was performed during this examination. Also, a review of the most recent HMDA 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 examination of the bank was performed in 1998.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Area Receiving Full-Scope Review

FNBA's performance under the lending test is rated "Outstanding." Based on a full-scope review, the bank's performance in the Anchorage MSA is excellent.

#### Lending Activity

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

It should be noted that only in this section of the Performance Evaluation do we use market share of loans by dollar volume in our analysis of bank performance. This is done in order to make the deposit market share and loan market share data comparable. Elsewhere in this document, loan market share refers to the number of loans made.

When analyzing the bank's lending activity in comparison to its deposit taking activity in the Anchorage MSA, the competitive structure of the financial services market is an important contextual issue. There is a large imbalance between the number of financial institutions that take FDIC insured deposits in Anchorage (6), and the number of CRA and HMDA reporting lenders active in the MSA (at least 159). Further, a number of the lenders active in this market are larger interstate financial service providers, including Wells Fargo Bank, mortgage companies, and credit card lenders, that can deploy greater marketing resources and may have broader brand recognition than local financial institutions. These outside competitors can distort the comparison of deposits market share to loans market share in a way that is unfavorable to local financial institutions.

Furthermore, certain demographic characteristics of the Anchorage MSA affect the demand for home mortgage loan products, in addition to the low population. As more fully discussed in the Market Profile in Appendix B, the housing market in this MSA has a relatively low percentage of owner-occupied units and a relatively high percentage of rental units. And there is high turnover in the population. It is probable that these factors result in lower demand for home purchase, home improvement, and home refinance loans. That could partially explain low performance in the home mortgage loan products, at least in terms of volume.

When analyzing the bank's lending performance, we focused our attention on its small loans to businesses, home purchase loans, home refinance loans, multi-family and community development loans. We gave the most weight to FNBA's small business lending activity because commercial lending is a strategic focus for the bank and community contacts expressed a need for financing of small businesses. Almost 75% of the number and 67% of the dollar volume of reportable loans made in the Anchorage MSA were small loans to businesses. Community development loans also carried significant weight in the analysis due to their inherently beneficial impact on segments of the community deemed most in need. We gave significant weight to the bank's home purchase loans. Home purchase loans were the most voluminous type of home mortgage loan made by the bank, and community contacts expressed the need for such loans. Home refinance loans and multi-family loans carried lesser weight in the analysis, due primarily to a lower volume of those products. Although the number of multi-family

loans made by FNBA was relatively low compared to other lending products, the bank did achieve a significant market share in this product.

FNBA's small loans to farms and home improvement loans carried little weight in our evaluation of lending performance. The low numbers of these types of loans made any attempt to analyze distribution and market share impractical.

During this evaluation period, FNBA provided an excellent level of small loans to businesses. The primary indicator for this performance is the relationship between the bank's deposits market share and rank in its full-scope assessment area compared to the market share and rank for its most important reportable loan products. On June 30, 1999, FNBA held a little over \$548 million of deposits in the full-scope assessment area, which ranked it second in size among FDIC-insured financial institutions in the Anchorage MSA. The bank held almost 27% of the insured deposits in the MSA. For reportable small business loan activity in 1999, FNBA ranked first among twenty-six reporting lenders with a 38% market share by dollar volume. In its most important CRA loan product, small loans to businesses, the bank's lending activity in 1999 exceeded its deposit taking activity. This represents excellent responsiveness to area credit needs for this product.

Peer group data is not available for the analysis of CD lending activity. Nevertheless, as is more fully discussed later in this Performance Evaluation, FNBA has a high dollar volume of these kinds of loans.

For home purchase loans, the bank ranked tenth among ninety-nine reporting lenders with a 2% market share by dollar volume. And for home refinance loans, the bank ranked eighth among 128 reporting lenders with a 3% market share by dollar volume. While FNBA's activity in these two loan products falls well below its deposit taking activity, the competitive nature of the home mortgage lending business, the market characteristics discussed above, and the secondary status of these products to the bank's strategic focus are mitigating factors. The fact that FNBA ranked among the top ten lenders while achieving only a 2% to 3% market share shows how dispersed the market is for these two products, as well as the dominance of a few top lenders. In view of these circumstances, FNBA's lending activity for home purchase loans and home refinance loans is considered good.

FNBA's lending activity in multi-family loans is good in the context of the competitive environment. In 1999, the bank achieved a market share of 9% and a rank of fourth among 6 reporting lenders. With such a low volume product, with few active lenders, a small change in lending activity can have a significant effect on the bank's market share and rank. For that reason, 1998 lending activity was also evaluated. In 1998, while there was no significant change in the bank's market position in deposits, FNBA attained an 18 percent market share and a rank of 3 among 7 reporting lenders for multi-family loans. In both 1998 and 1999, one of the lenders that ranked ahead of the bank was a large interstate mortgage company, which held 50% of the market in 1998 and 17% of the market in 1999.

Overall, FNBA's lending activity in HMDA and CRA reportable loans is considered excellent. In its most important CRA loan product, small loans to businesses, the bank's lending activity in 1999 substantially exceeded its deposit taking activity. FNBA has a high volume of community development loans, too. The bank's excellent lending activity in these two loan types overshadows the lesser volumes achieved in its secondary loan products of home purchase loans, home refinance loans, and multi-family loans. This overall excellent lending activity had a positive effect upon our overall conclusion about the bank's performance under the Lending Test.

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

The geographic distribution of FNBA's small loans to businesses, home purchase loans, home refinance, and multi-family loans reflects overall good penetration in the full-scope assessment area geographies. The volume of FNBA's home improvement loans and small loans to farms in the full-scope area was too low to perform a meaningful analysis.

### ***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 the bank's home mortgage loan originations and purchases.

Home purchase loan geographic distribution is excellent in the full-scope assessment area. In the Anchorage MSA, the portion of home purchase loans made in low- and moderate-income geographies exceeds the portion of owner-occupied housing units that are located within those geographies. This distribution is particularly notable in view of the fact that only 2% of the owner-occupied housing units in the AA are located in low-income geographies. Although only 1999 market share information is shown in the Tables in Appendix C, for both 1998 and 1999 the market share for loans made in low- and moderate-income geographies is greater than FNBA's overall market share, further reinforcing the conclusion of excellent geographic distribution of this loan product.

Refinance loan geographic distribution is good in the full-scope assessment area. In the Anchorage MSA, the portion of refinance loans made in low-income geographies is substantially below the portion of owner-occupied housing units that are located within those geographies. In moderate-income geographies, the portion of refinance loans is very near to the portion of owner-occupied housing units that are located within those geographies. In both 1998 and 1999, the market share that FNBA achieved in both low- and moderate-income geographies exceeds its overall market share for refinance loans. This indicates that within the context of the competitive market for this product, FNBA was able to improve upon its overall market share in its penetration of low- and moderate-income geographies. This market share aspect of FNBA's performance somewhat mitigates the bank's lower distribution of loans to low-income geographies. Also, only 2% of the owner-occupied housing units in the AA are located in low-income geographies, indicating limited lending opportunities. These mitigating factors lead to a conclusion of an overall good geographic distribution for this product.

The geographic distribution of multi-family loans is excellent. In both low- and moderate-income geographies, the percentage of bank loans exceeds by wide margins the percentage of units located in those geographies. Seven of the loans financed affordable housing and are also counted as CD Loans. As more fully discussed in the Community Development Lending and other sections of this Performance Evaluation, affordable housing is an important need identified by community groups. In addition to the beneficial impact of the CD loans in this lending product, multi-family units located in LMI geographies often provide a more affordable housing option to individuals and families than do single family residences. For this reason, the bank's distribution for this product had a beneficial impact on the AA.

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

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

The geographic distribution of small loans to businesses is good in the full-scope assessment area. In the Anchorage MSA, the portion of small loans to businesses made in low-income geographies exceeds the portion of businesses located within those geographies. In moderate-income geographies, the portion of these loans is significantly below the portion of businesses that are located within those geographies. However, the 1999 market share that FNBA achieved in both low- and moderate-income geographies is near to its overall market share for small loans to businesses. The market share aspect of the bank's performance in moderate-income geographies is better than the distribution performance. This indicates that within the context of the competitive environment, FNBA was able to improve upon its overall market share in its penetration of moderate-income geographies. This somewhat mitigates the bank's lower distribution of loans to moderate-income geographies leading to a conclusion of an overall good geographic distribution for this product.

### ***Small Loans to Farms***

Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The volume of small loans to farms was too low to perform meaningful geographic distribution analysis.

## **Lending Gap Analysis**

Maps and reports detailing FNBA's lending activity over the evaluation period for small loans to businesses, home purchase loans, and home refinance loans were reviewed to identify gaps in the geographic distribution. No unexplained conspicuous gaps were identified. The bank penetrated every geography with at least one small loan to a business. And only two geographies, one low-income and one moderate-income, were not penetrated by either a home purchase loan or a home refinance loan. Both of those geographies are comprised primarily of military bases where there is virtually no owner-occupied housing, and therefore little demand for such loans. The absence of unexplained gaps in the bank's lending had a positive effect on our conclusion about the geographic distribution of FNBA's lending activity.

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

A substantial majority of the number of home purchase loans, refinance loans, loans to small businesses, and CD loans originated or purchased by FNBA over the evaluation period were within its assessment areas. Fully 95% of the home purchase loans, 96% of the refinance loans, 97% of the loans to small businesses, and 100% of CD loans were made to borrowers within the bank's assessment areas. This excellent performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

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

The overall borrower distribution for FNBA's home mortgage loans reflects an excellent dispersion among borrowers of different income levels throughout the Anchorage MSA. Because home purchase loans were greater in volume than refinance loans, and community groups expressed a need for that kind of financing, more weight was given to home purchase loans in the overall conclusion. Also, in our overall conclusion about FNBA's performance under the Lending Test, borrower distribution carried more weight than geographic distribution. In this bank's assessment areas, borrower distribution is more

indicative of the bank's success in making loans where the need is greatest, and that is to small businesses and LMI borrowers.

### ***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.

The borrower distribution of FNBA's home purchase loans reflects an excellent dispersion among borrowers of different income levels in the Anchorage MSA. The portion of loans made to low- and moderate-income borrowers exceeds the portion of low- and moderate-income families in the assessment area. Market share analysis supports this conclusion, with the bank's market share of loans made to low- and moderate-income borrowers higher than its overall market share for home purchase loans. This performance is particularly notable within the context of the declining affordability of housing discussed in the Market Profile section of this Performance Evaluation.

The borrower distribution of refinance loans shows overall good distribution among borrowers of different income levels. The portion of loans made to low-income borrowers is substantially below the portion of low-income families in the assessment area, and is considered adequate. Distribution is good for moderate-income borrowers, where the portion of bank loans is close to the portion of moderate-income families. However, the 1999 market share that FNBA achieved in both low- and moderate-income borrowers is higher than its overall market share for these loans. This indicates that within the context of the competitive environment, FNBA was able to improve upon its overall market share in its penetration to low- and moderate-income borrowers. The declining affordability of housing in the MSA has some impact on the bank's lending performance for this product. Further, 91% of the low-income families in Anchorage live in low- or moderate-income geographies, whereas only 13% of the owner-occupied housing in the MSA is located in those geographies, indicating a limited market potential for refinance loans to low-income families. These market share and demographic factors tend to mitigate the low penetration of refinance loans to low-income families, leading to a conclusion of good overall distribution among borrowers of different income levels.

### ***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.

The borrower distribution of small loans to businesses is excellent in the full-scope assessment area. FNBA's portion of small loans to small businesses (businesses with revenues of \$1 million or less) substantially meets the portion of businesses that are defined as such. The bank's portion of loans of \$100 thousand or less is reasonably close to the portion of businesses that are defined as small businesses. However, absent mitigating circumstances, the size of the loan is probably the least reliable indicator of the bank's performance in borrower distribution. FNBA's market share of loans made to small businesses actually exceeds its overall market share for small loans to all businesses, indicating the bank emphasizes this market segment in its commercial lending activities. The competitive environment for small loans to businesses is a significant mitigating factor in these conclusions. In this assessment area, 4 of the top 8 lenders are out of area credit card banks that operate on a national level. Also, large interstate banks such as Wells Fargo Bank, N.A., Bank of America, N.A., and KeyBank, N.A., compete in this market. Often, these lenders have brand recognition, resources, and specialized products that local financial institutions cannot match.

### ***Small Loans to Farms***

Refer to Table 12 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

As already noted, the volume of small loans to farms is too low to perform meaningful distribution analysis.

### **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

FNBA made an excellent amount of CD loans during the evaluation period. The bank's total CD loans equal 19% of allocated net Tier 1 capital, indicating a significant commitment of funds to meet community needs, particularly in light of the bank's high capital. Some of the loans were complex and some demonstrated leadership, as illustrated in the examples below. This had a positive effect upon our conclusions about the bank's performance under the Lending Test.

A majority of the loans were made to finance the construction or renovation of affordable housing units, important needs in the Anchorage MSA according to community groups and government agencies. The remaining loans financed development or redevelopment projects in the Anchorage Renaissance Zone, an area comprised mainly of LMI geographies and identified by the city as needing economic stabilization and revitalization. The loans met the required size and eligibility standards. The loans financed a medical facility, a community center, a Native American heritage center, and the first phase of a mixed-use commercial and residential development. These projects created or will create a significant number of jobs for LMI persons, and it is hoped they will create the impetus to attract businesses and residents to a depressed area of the city. In order to facilitate some of these loans, FNBA made interest rate, fee, and other concessions.

- The loan to finance the community center is complex because it involved a collaborative effort between several nonprofits, the city, and all of the banks in town to structure a transaction with acceptable risk. FNBA took a leadership role in enlisting the participation of other local banks. The community center houses various programs operated by nonprofit organizations that provide community services targeted at LMI youth and families. It is located in the Mountain View Neighborhood, in one of the two low-income CTs in Anchorage. This is one of the poorest areas in town, where there is great need for jobs and community services.
- The loan to finance the Alaska Native Heritage Center is complex because it involved a collaborative effort between a Native American corporation, local and regional governments, charities, and local banks. Further, a variety of sources funded the project, that included loan funds, revenues from the Native American corporation, grant money, and a private capital subscription from donors in the community. Officers from local banks, including FNBA, spent considerable time providing technical support to the borrower in order to help structure a transaction with acceptable risk to the lenders. The jobs at the Center are targeted at LMI Native Americans. In addition to being a cultural center for Native Americans, open to tourists, the Center will provide educational programs for Native Americans, the majority of whom are LMI.

These two complex loans, as well as the other community development loans made by the bank, had a positive effect upon the community because they were responsive to important needs. Through the bank's CD loans, numerous affordable housing units were rehabilitated or constructed. New jobs were created, that went primarily to LMI persons. New educational, social, and medical services were provided to LMI persons and residents of LMI geographies. All of these are identified needs in the community.

## **Product Innovation and Flexibility**

FNBA offered both innovative and flexible loan products that help address the credit needs of low- and moderate-income borrowers and small businesses. These products were offered through the bank's participation in a variety of federal, state, and local loan programs whose purpose is to increase access to credit for first time home buyers, low- and moderate-income persons, Native Americans, and small businesses. The bank's use of these programs had a positive effect upon our conclusions about the Lending Test.

The innovative program used by the bank was HUD's Native American Housing and Self Determination Act Title VI Loan Guarantee Demonstration Program. During the evaluation period, FNBA became the first bank in the nation to participate in this complex loan program sponsored by HUD's Office of Native American Programs. HUD literature describes the program as designed to provide Native American tribes or tribal entities with the ability to establish innovative model programs that develop affordable housing, increase access to private capital, and further economic growth. The program utilizes various combinations of bank loans, government grants, rental income, revenue bonds, and government guaranties to fund projects on tribal lands. The application and documentation process is often complex, requiring the lender to develop expertise in the program and to provide significant technical support to the borrowers. The technical support extends beyond the loan application and approval process, because the short building season, isolated locations, and harsh climate require innovative building techniques which create the need for the bank to employ outside technical expertise to serve in an advisory capacity. FNBA offers this program statewide, but the loans made to date benefit the Non-MSA assessment area. The bank made 11 loans totaling \$9,251,770 that financed affordable housing for LMI Native Americans, a critical need in Native American villages in Alaska. Thus, the loans had a very positive effect on the villages by being responsive to this need.

Through the use of flexible, affordable housing loan programs, FNBA made 543 loans totaling more than \$45 million to low- and moderate-income families throughout Alaska. Some of the loans were made to borrowers in the bank's assessment areas and are reflected in the Tables in Appendix C, and others were outside the assessment areas. The programs, 14 in all, use many different methods to help LMI borrowers obtain loans that would not otherwise qualify for credit. Some of the programs are targeted at Native Americans, where the greatest need exists, according to HUD. The programs provided some kind of assistance to the borrowers, but also required the bank to be flexible in the application of its underwriting standards and pricing practices in order to approve the loans. These programs featured the use of subsidized interest rates, low-income housing tax credits (LIHTCs), reduced fees, gap financing, subsidized down payments, credit counseling, home ownership counseling, grants, second mortgages, soft third mortgages, and other assistance to borrowers. Some of the loans made in these programs were complex because they contained several sources of financing that had to be coordinated at closing. Agencies that sponsored the programs include the Alaska Housing Finance Corporation (AHFC), Anchorage Neighborhood Housing Services, Bureau of Indian Affairs (BIA), Fairbanks Neighborhood Housing Services, Federal Home Loan Bank of Seattle, Interior Regional

Housing Authority, Cook Inlet Housing Authority, Sitka Housing Consortium, Inc., USDA Rural Development, and others. The degree of responsiveness to area needs FNBA exhibited through its participation in these programs is considered significant. It is probable that the bank's participation in these programs contributed to its record of excellent borrower and good geographic distribution of home purchase loans.

Similarly, FNBA participated in three flexible business loan programs that were made available statewide to help meet the need for loans to small businesses. The programs were sponsored by the BIA, SBA, and the Alaska Industrial Development and Export Authority. Through the use of government guaranties, technical assistance, and other assistance, these programs enabled the bank to lend to borrowers who would not otherwise qualify for credit. The programs provided assistance to the borrowers, but also required the bank to be flexible in the application of its underwriting standards in order to approve the loans. FNBA made 25 loans totaling over \$14 million through these programs. That activity demonstrated additional responsiveness to area credit needs. It is probable that the bank's participation in these programs contributed to its record of excellent borrower distribution and good geographic distribution in its small loans to businesses.

FNBA also participated in Women\$Fund, a micro-loan program offered through the YWCA of Anchorage. The bank made donations to help the fund with operating expenses; gave technical advice to borrowers; and made loans (included in the numbers in the preceding paragraph). This program makes very small loans to women and minorities to fund small business endeavors. These are typically high-risk loans for start-up expenses that would not fit the bank's normal underwriting standards.

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

Based on a limited-scope review, the bank's performance under the lending test in the Non-MSA area is consistent with the bank's overall Outstanding performance under the lending test. In the geographic distribution of home purchase loans, home refinance loans, and small loans to businesses, the bank's performance is weaker than in the full-scope area. Generally poorer loan penetration in the low-income geography was the main reason for the weaker performance. The cause is a very limited potential market for any kind of loan in that geography. As of the 1990 U.S. Census, that geography had a population of 252 persons, divided into 60 households, of which 27% were below poverty level. Year 2000 Dun & Bradstreet information showed only 8 businesses and no farms in the geography. Borrower distribution in the limited-scope area was generally comparable to the bank's performance in the full-scope area. FNBA made a significant number and dollar amount of CD loans in the area that were responsive to identified needs, particularly in the area of affordable housing. The bank also used innovative and flexible loan products in the limited-scope area to help meet the credit needs of persons and small businesses, many of whom would otherwise not qualify for loans. Earlier comments in this Performance Evaluation discuss some of the programs in more detail. On balance, then, FNBA's performance in the limited-scope area is similar to its overall excellent performance in the full-scope area. Refer to Tables 1 through 12 in Appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Area Receiving Full-Scope Review**

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

There are important contextual issues that affect the evaluation of the bank's performance under the Investment Test. One is the low population of the State of Alaska, estimated at about 629 thousand persons at the most recent U.S. Census. Another is the housing demographics of the state, with a low volume of owner occupied units and a high volume of vacant units. In a judgmental sample of 16 states that included Alaska, the lowest percentage of owner occupied units and the highest percentage of vacant units were found in Alaska, according to 1990 U.S. Census information. These demographic factors tend to compress the market for home mortgage loans. With the limited supply of mortgage loans from Alaska entering the secondary market, it is nearly impossible for Alaska banks to find CRA-qualified mortgage backed securities (MBS) in which a majority of the underlying mortgages are within a bank's assessment area. As a result, financial institutions in Alaska do not have available to them one commonly used method by many banks in the lower 48 states to significantly boost their volume of qualifying investments, through MBS.

The competitive environment for investments is also an important factor. Federal government agencies, which often get preference, institutional investors, and local financial institutions compete for the limited supply of investments. Due to the strong competition for the small amount of investments that are made available for retail investors, securities are issued on a pre-sold basis, or the investments do not produce yields desirable for bank investment. For example, in October 1999, the AHFC issued more than \$302 million in CRA-qualified bonds to support their first time homeowner housing programs. Only a small percentage of the issue was made available to brokers and retail investors. Government agency investors such as the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") purchased approximately 80 percent of those bonds, which left approximately \$9.36 million available for local financial institutions and other retail investors to aggressively bid on. Opportunities for CRA-qualified investments in the Anchorage MSA, as well as other inhabited areas throughout the State of Alaska, do exist, but are typically limited. As a result, FNBA is meeting much of the need for funding of CD activities in the Anchorage MSA, and to a lesser extent the Non-MSA area, through CD loans.

In view of these factors, First National Bank of Anchorage's performance under the Investment Test is rated "High Satisfactory." The bank's performance in the Anchorage MSA is good based on the number and dollar volume of investments relative to available opportunities, community needs, and positive impact in the AA.

The bank has four qualifying investments plus numerous grants and donations in the Anchorage MSA, totaling \$6.3 million. About \$3.1 million of these investments were made during prior CRA evaluation periods, but still have balances on the bank's books. For the most part, the prior period investments funded affordable housing units that provide long term benefit to the community.

FNBA's investments exhibit good responsiveness to the credit and community development needs of the assessment area, particularly the need for affordable housing. In the Anchorage MSA, more than \$5.7 million or 91 percent of these investments helped to finance affordable housing or provide affordable housing services for low- and moderate-income families. These affordable housing investments primarily consist of federally sponsored low-income housing tax credits and local housing development bonds. Since affordable housing is an important need identified by government agencies and community groups, FNBA's investments are considered highly responsive to those needs. As such, they had a positive impact upon the community.

Throughout the Anchorage MSA area, there is a great need for affordable housing. Examples of the types of the largest qualified investments the bank made in this assessment area during the evaluation period to address affordable housing needs include the following:

- First Time Homebuyers Mortgage Revenue Bonds - These bonds were issued to fund the tax exempt First Time Homebuyers Program offered through the AHFC. The program has income limits that are favorable to low- to moderate-income persons, veterans, and those living in rural areas throughout Alaska. During 1999, the AHFC provided financing for 2,181 first time homebuyers through a \$200 million bond issue. Of the \$4.2 million the bank invested in these statewide bonds, approximately \$2.4 million directly benefited the Anchorage MSA.
- Housing Development Bonds - These bonds are general obligations issued by the AHFC to provide long-term financing to various affordable housing organizations in Alaska for affordable housing projects targeted to low- and moderate-income families. The bank initially invested \$1.79 million in these bonds in 1983, of which approximately \$210 thousand matured during the evaluation period. Proceeds of the bonds were used for the purchase of five apartment building projects in the City of Anchorage. Collectively, the projects provided 111 units of affordable housing.
- Low-Income Housing Tax Credits (LIHTC) - The LIHTC program was created by the Tax Reform Act of 1986. States were given the authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income families. The bank initially invested \$2.6 million in these tax credits during 1995 and 1996. Proceeds of the tax credit facilities were used to construct two apartment buildings in the City of Anchorage, which provided 65 low-income housing units. As of our evaluation date, the outstanding balances of these tax credits from prior years totaled \$1.33 million, which reflect the recognition of tax benefits over the years.

## **Conclusions for Area Receiving Limited-Scope Reviews**

Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

Based on a limited-scope review, the bank's performance under the Investment Test in the non-MSA area is stronger than the bank's overall "High Satisfactory" performance. Qualified investments in the non-MSA area were proportionally higher when compared to the Anchorage MSA. A significant amount of the funds invested in the limited-scope area helped create or rehabilitate affordable housing. Other investments helped finance small business development activities, and community and educational services targeted at LMI persons in the Non-MSA area. They were responsive to identified needs. This performance had a positive effect on the overall Investment Test rating.

## **SERVICE TEST**

### **Conclusions for Area Receiving Full-Scope Review**

First National Bank of Anchorage's performance under the Service Test is rated "Outstanding." Based on a full-scope review, the bank's performance in the Anchorage MSA assessment area 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.

FNBA has an excellent distribution of branches that are located throughout the Anchorage MSA. None of its branches are located in low-income CTs, however the bank does have branches in geographies adjacent to, and accessible to, all three low-income CTs in the MSA. Further, the distribution of branches in moderate-income tracts greatly exceeds the percentage of the population living in both low- and moderate-income tracts, thus providing convenient accessibility to most residents in those tracts. No branches were opened or closed in Anchorage during the evaluation period. Lobby hours are reasonable and there are no significant differences in hours for branches in LMI geographies compared to those in middle- and upper-income geographies.

The bank offers a wide variety of loan and deposit products to its customers. As noted in the Lending Test, FNBA augments its traditional loan product line with a variety of innovative or flexible products that increase accessibility of credit to LMI persons and small businesses. No specific deposit products are targeted at low- and moderate-income customers.

FNBA offers a good variety of services, as well. The bank's recently introduced online banking service supplements its branch system. Because of the remoteness of some towns and villages, FNBA reports that this service was widely requested and needed in much of 'Bush Alaska.'

Because Alaska is the largest state, by land mass, as well as the least populated state, providing banking services throughout the state poses unique challenges. These challenges are exacerbated by the lack of infrastructure in most rural areas and adverse climate conditions. To overcome these difficulties, and provide reasonable banking services to persons in remote locations, the bank actively employs alternative delivery systems. FNBA's alternative delivery systems include the installation of ATMs throughout the State of Alaska, postage-paid bank by mail, direct deposit, and online banking services. Additionally, bank employees routinely travel to remote areas by airplane, riverboat, and snow machine, and sometimes by dog sled, to meet clients by appointment. Through FNBA's bank by mail program, approximately 65 percent of the 275 daily pieces of mail received are from clients in rural or remote areas of the State. This program allows clients to make deposits and loan payments, free of charge. The incomes of customers using these alternative delivery systems are not tracked, therefore we could not place significant weight on the alternative delivery systems when drawing conclusions about the Service Test.

FNBA has 51 ATMs, 14 of which are located within the Anchorage MSA. In Anchorage, 1 ATM (7%) is located in a low-income CT, 10 (71%) are in moderate-income CTs, and 3 (22%) are in middle-income CTs. This represents an excellent dispersal of services in comparison to the population, thus increasing the availability of basic banking services to LMI geographies.

The bank provides bi-lingual services at many branches as well as by telephone. Some of the languages include Bongali, Chinese, Dutch, French, German, Hindi, Ilocano, Samoan, Sign Language, Spanish, Tagalog, and Yup'ik. Advertisements are sometimes done in specific languages to effectively communicate bank products and services to targeted communities.

## Community Development Services

FNBA provides a relatively high level of community development services that are supportive and responsive to the needs of the assessment area. As noted in one example below, some of these services demonstrated leadership and innovation. During the evaluation period, members of various levels of management contributed more than 672 hours to providing technical assistance to 18 affordable housing and other nonprofit organizations that provide community development services to low- and moderate-income persons within the Anchorage MSA. A few examples of services rendered throughout the full-scope assessment area where significant time was expended include:

- A bank officer serves as the President of a local nonprofit affordable housing organization, which was created in 1999 to own and operate 9 units of multi-family housing for low- and moderate-income disabled persons. The officer provides a variety of financial skills to the organization to direct its operations. HUD awarded a Section 811 grant for the construction of the multi-family units. Since inception, the officer has devoted over 180 hours to the organization.
- Bank officers spent more than 110 hours as guest speakers for various first time homebuyer and Family Self Sufficiency education classes sponsored by the Alaska Housing Finance Corporation. Through this activity, they shared financial skills and knowledge with audiences comprised primarily of LMI persons.
- Bank officers spent almost 180 hours meeting with poor Native American villages in rural Alaska, providing financial and legal expertise to assist them with gathering the necessary information to complete applications for HUD's Title VI Loan program, a fairly new federal government loan program targeted at Native Americans. This loan program is described under the Lending Test. Through this activity, bank officers provided the impetus to get the program started in Alaska, as well as the entire country. The officers also helped Native American villagers secure other sources of funding to supplement the loans. The bank has been innovative and a leader in putting together the majority of the Title VI loans in the United States. By providing the impetus and technical support to get the program started, the bank had a significant positive impact on some of the communities that it serves.

## Conclusions for Areas Receiving Limited-Scope Reviews

Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

Based on limited-scope reviews, the bank's performance in the Non-MSA area is consistent with the bank's overall "Outstanding" performance under the Service Test. While the distribution of branches relative to the population is weaker than in the full-scope assessment area, more than half of the community development services described above apply to the limited-scope assessment area in terms of benefit.

The bank has a rural ATM Program, whereby it has installed ATMs in 16 rural villages throughout Alaska where operating full-service branches would be cost prohibitive. Because of low usage and high communication costs associated with operating an ATM network in remote areas, the bank processes each transaction at a loss. The bank began this program in 1996 with a large monetary outlay. While these ATMs are outside of the bank's assessment areas, they provide much needed cash services, and often the only source of cash, to rural villages that are underserved by other financial institutions, and thus receive positive consideration under the CRA. Sixty-three percent of these ATMs are installed in low- and moderate-income geographies.

## 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: July 1, 1998 to June 30, 2001 Investment and Service Tests: July 1, 1998 to June 30, 2001	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Anchorage (FNBA) Anchorage, Alaska	Home purchase and refinance loans, small loans to businesses, CD loans, and special loan programs.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Anchorage MSA #0380 Non-MSA	Full-Scope Limited-Scope	NA This area is a combination of 9 non-contiguous, rural assessment areas that were grouped together for simplicity of analysis.

## **Appendix B: Market Profile for Full-Scope Area**

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#### **Market Profile for Area Receiving Full-Scope Review**

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**Anchorage MSA # 0380**

Demographic Information for Full-Scope Area: Denver MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	55	5%	20%	45%	29%	0%
Population by Geography	226,338	7%	20%	42%	31%	0%
Owner-Occupied Housing by Geography	43,664	2%	11%	46%	41%	0%
Businesses by Geography	13,035	6%	28%	42%	25%	0%
Farms by Geography	206	3%	19%	41%	36%	0%
Family Distribution by Income Level	57,519	20%	18%	22%	40%	0%
Distribution of Low- and Moderate- Income Families throughout AA Geographies	21,858	13%	30%	41%	15%	0%
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$50,109 = \$60,500 = 6.33%	Median Housing Value Unemployment Rate (2000)		= \$98,375 = 4.3%		

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

Source: 1990 U.S. Census, 2001 HUD updated MFI, and U.S. Bureau of Labor Statistics for unemployment rate.

The bank has defined its Anchorage assessment area as all of the MSA, minus the one non-designated census tract in the MSA. This includes essentially all of Anchorage Borough, located in south central Alaska. The assessment area complies with regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas.

Anchorage is the largest city in Alaska and it is the center of commerce for the state, though it is not the state capital. The MSA contains 42% of the state's population. Some defining characteristics of Anchorage are that it contains a shipping port, Elmendorf Air Force Base, Fort Richardson Military Reservation, and a busy international airport that is an important conduit for freight and passengers enroute to Asia. Anchorage is ideally situated to take advantage of the tourist trade, with its proximity to the Kenai Peninsula, mountain ranges, national parks, national wildlife refuges, and other attractions. Employment by the government and military makes up nearly 22% of the work force. Other important sources of employment are services, retail trade, transportation/utilities, finance/insurance/real estate, construction, and mineral extraction. Economic conditions in the MSA are good, with relatively low unemployment and poverty rates. The population is growing.

The Anchorage MSA is the largest assessment area that the bank serves. As demonstrated by the data in the Tables in Appendix C, this assessment area contains a significant concentration of the bank's facilities, and it generates a high percentage of the bank's loans and deposits. The financial services sector is highly competitive, with local and national financial service providers active in the market. Aggregate reported loan data for 1999 in the Anchorage MSA shows that 159 lenders made HMDA loans, 26 lenders made small business loans, and 5 lenders made small farm loans. As of June 30, 2000, five FDIC-insured institutions held a total of \$2.1 billion in deposits, with FNBA ranking second.

According to Alaska Housing Finance Corporation's Quarterly Survey of Lenders, Anchorage continues to record the bulk of the residential lending activity in the state. Anchorage held close to 60% of the single-family and 90% of the condominium market. The median sales price of a single family home in the first quarter of 2001 was \$152,940. Data indicates that since 1990, the median price of a home increased almost 36%, while the median family income increased about 21% (per the 2001 HUD Adjusted MFI). The disparity between the increase in home prices in relation to the median family income clearly affects the affordability of housing in the MSA. The draft 2001 Anchorage Bowl Comprehensive Plan identifies affordable housing as an important community need. There is a shortage of affordable housing stock. Redevelopment, infrastructure improvement, and infill are also identified as important goals for the community. To help facilitate accomplishment of those goals, the city designated an Anchorage Renaissance Zone to focus development and redevelopment activity.

Bankers and community contacts stated that one important demographic characteristic of the Anchorage MSA is a relatively high turnover in the population. The causes most often cited are the weather, the relative isolation from the lower 48 states, and the high percentage of military personnel, who are subject to frequent transfers. The local housing market appears to have been affected by this demographic factor by containing a high percentage of rental units, at 45% of total housing units, and a low percentage of owner-occupied units, at 49%. We took a judgmental sample of 13 MSAs with populations between 73 thousand and 397 thousand persons. The average percentage of rental units in those MSAs was 39 and the average percentage of owner-occupied units was 57, clearly supporting the observation that Anchorage market is skewed towards rentals and away from owner-occupied housing. This could have an impact on the demand for certain kinds of home mortgage loan products, thereby affecting the bank's lending performance, particularly in view of the competitive nature of the market for home mortgage loans.

There are a variety of organizations working in the Anchorage MSA to meet community development needs. There are community development corporations, community development financial institutions, nonprofits, government agencies, private foundations, charities, churches, medical facilities, and others serving the community. These entities work in the areas of affordable housing, small business development, emergency relief, education, vocational training, counseling, health care, and others. There are also a number of loan programs available through public and private venues to serve community needs. Nevertheless, community contacts and other sources indicate that the demand for affordable housing still outstrips the supply. They also state the need for a variety of programs targeted at Native Americans. And this suggests there is opportunity for financial institutions to engage in community development activities.

## 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 MSA/assessment area.

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 MSA/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 Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - See Table 2.
- 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.
- 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.

- 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 MSA/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 MSA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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.

**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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

**Table 1. Lending Volume**

LENDING VOLUME												Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001	
MA/Assessment Area (2001):	% of Rated Area Loans (#) in MA/AA <sup>*</sup>	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans <sup>**</sup>		Total Reported Loans		% of Rated Area Deposits (#) in MA/AA <sup>***</sup>	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)		
<b>Full Review:</b>													
Anchorage MSA	40.11	1,105	120,548	3,309	336,980	10	1,056	11	40,770	4,435	499,354	56.57	
<b>Limited Review:</b>													
Non-MSA Areas	59.89	1,583	175,777	4,864	425,232	151	5,336	23	20,781	6,621	627,126	43.43	

<sup>\*</sup> Loan Data as of June 30, 2001. Rated area refers to either the state or multi-state MA rating area.

<sup>\*\*</sup> The evaluation period for Community Development Loans is From July 01, 1998 to June 30, 2001.

<sup>\*\*\*</sup> Deposit Data as of June 30, 2000. 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		Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001													
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	Up
<b>Full Review:</b>															
Anchorage MSA	614	48.89	2.04	3.75	11.22	21.99	45.83	48.70	40.91	25.56	3.01	7.46	7.25	2.87	1.83
<b>Limited Review:</b>															
Non-MSA Areas	642	51.11	0.08	0.00	6.51	2.96	62.38	68.38	31.03	28.66	9.11	0.00	7.89	10.19	7.11

\* Based on 1999 Aggregate HMDA Data Only.

\*\* 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.

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

Geographic Distribution: HOME IMPROVEMENT												Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Anchorage MSA	25	32.89	2.04	0.00	11.22	8.00	45.83	48.00	40.91	44.00	2.10	0.00	2.41	2.03	2.17	
<b>Limited Review:</b>																
Non-MSA Areas	51	67.11	0.08	0.00	6.51	7.84	62.38	76.47	31.03	15.69	3.07	0.00	1.47	4.15	0.93	

\* Based on 1999 Aggregate HMDA Data Only.

\*\* 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											Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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
<b>Full Review:</b>															
Anchorage MSA	431	33.20	2.04	1.39	11.22	10.44	45.83	48.49	40.91	39.68	4.23	4.92	4.94	4.37	3.92
<b>Limited Review:</b>															
Non-MSA Areas	867	66.80	0.08	0.12	6.51	4.04	62.38	70.70	31.03	25.14	16.25	100.00	10.00	18.09	12.87

\* Based on 1999 Aggregate HMDA Data Only.

\*\* 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												Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Anchorage MSA	35	60.34	2.04	20.00	11.22	51.43	45.83	20.00	40.91	8.57	19.35	0.00	31.03	9.52	12.50	
<b>Limited Review:</b>																
Non-MSA Areas	23	39.66	0.08	0.00	6.51	17.39	62.38	65.22	31.03	17.39	31.82	0.00	20.00	30.77	50.00	

\* Based on 1999 Aggregate HMDA Data Only.

\*\* 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												Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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>																
Anchorage MSA	3,309	40.49	5.78	5.80	27.62	18.19	41.96	43.70	24.65	32.31	25.60	24.10	23.26	26.58	27.04	
<b>Limited Review:</b>																
Non-MSA Areas	4,864	59.51	0.07	0.00	11.18	4.85	68.43	77.18	20.32	17.97	37.34	15.00	22.91	43.30	34.67	

\* Based on 1999 Aggregate Small Business Data Only.

\*\* 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												Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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	Overa ll	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Anchorage MSA	10	6.21	3.40	0.00	18.93	0.00	41.26	30.00	36.41	70.00	21.43	0.00	0.00	14.29	28.57	
<b>Limited Review:</b>																
Non-MSA Areas	151	93.79	0.00	0.00	4.28	0.66	68.72	57.62	27.01	41.72	39.83	0.00	0.00	40.63	43.75	

\* Based on 1999 Aggregate Small Farm Data Only.

\*\* 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).

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

Borrower Distribution: HOME PURCHASE											Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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****	Over all	Low	Mod	Mid	Up p
<b>Full Review:</b>															
Anchorage MSA	614	48.89	20.01	30.32	17.99	29.30	22.35	15.33	39.65	25.05	3.31	12.35	4.48	1.54	2.40
<b>Limited Review:</b>															
Non-MSA Areas	642	51.11	17.54	6.88	15.59	23.68	22.43	28.96	44.43	40.48	10.00	14.81	14.29	8.82	8.66

\* Based on 1999 Aggregate HMDA Data Only.

\*\* As a percentage of loans with borrower income information available. No information was available for 3.50% of loans originated and purchased by FNBA.

\*\*\* 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.

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

Borrower Distribution: HOME IMPROVEMENT												Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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****	Over all	Low	Mod	Mid	Up p	
<b>Full Review:</b>																
Anchorage MSA	25	32.89	20.01	8.70	17.99	17.39	22.35	34.78	39.65	39.13	2.03	2.17	2.61	2.58	1.56	
<b>Limited Review:</b>																
Non-MSA Areas	51	67.11	17.54	6.25	15.59	22.92	22.43	25.00	44.43	45.83	3.00	1.37	6.11	3.00	2.20	

\* Based on 1999 Aggregate HMDA Data Only.

\*\* As a percentage of loans with borrower income information available. No information was available for 6.58% of loans originated and purchased by FNBA.

\*\*\* 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.

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

Borrower Distribution: HOME MORTGAGE REFINANCE												Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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	
<b>Full Review:</b>																
Anchorage MSA	431	33.20	20.01	9.98	17.99	17.27	22.35	27.01	39.65	45.74	5.14	5.56	5.64	4.83	5.12	
<b>Limited Review:</b>																
Non-MSA Areas	867	66.80	17.54	5.74	15.59	17.45	22.43	27.17	44.43	49.64	18.60	14.55	23.23	18.69	17.70	

\* Based on 1999 Aggregate HMDA Data Only.

\*\* As a percentage of loans with borrower income information available. No information was available for 2.54% of loans originated and purchased by FNBA.

\*\*\* 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.

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

Borrower Distribution: SMALL LOANS TO BUSINESSES					Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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>									
Anchorage MSA	3,309	40.49	84.93	78.00	71.65	19.10	9.25	25.60	30.68
<b>Limited Review:</b>									
Non-MSA Areas	4,864	59.51	87.14	76.69	78.99	12.83	8.18	37.34	40.35

\* Based on 1999 Aggregate Small Business Data Only.

\*\* 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 1.39% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS					Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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 <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans <sup>****</sup>	\$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>									
Anchorage MSA	10	6.21	84.47	90.00	70.00	20.00	10.00	21.43	15.38
<b>Limited Review:</b>									
Non-MSA Areas	151	93.79	87.70	96.03	94.04	3.97	1.99	39.83	41.82

<sup>\*</sup> Based on 1999 Aggregate Small Business Data Only.

<sup>\*\*</sup> 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.

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

<sup>\*\*\*\*</sup> 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 1.24% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001							
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>									
Anchorage MSA	3	3,121	35	3,220	38	6,341	38.21	0	0
<b>Limited Review:</b>									
Non-MSA Areas	0	0	30	10,252	30	10,252	61.79	2	529

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\* '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													Evaluation Period: JULY 1, 1998 TO JUNE 30, 2001				
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
<b>Full Review:</b>																	
Anchorage MSA	56.57	10	37	0.00	70.00	30.00	0.00	0	0	0	0	0	0	7.49	19.51	42.41	30.59
<b>Limited Review:</b>																	
Non-MSA	43.43	17	63	0.00	5.88	76.47	17.65	0	1	0	0	- 1	0	0.13	8.17	63.64	27.89