



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 09, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Layton
Charter Number 7685**

**12 South Main Street
Layton, UT 84041**

**Comptroller of the Currency
ADC-Salt Lake City (Idaho, Montana, Nevada, Utah, Wyoming)
2795 East Cottonwood Parkway Suite 390
Salt Lake City, UT 84121**

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, nor should it 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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- First National Bank of Layton (FNB) has a satisfactory record of lending to borrowers with different incomes.

The bank's distribution of loans to low- and moderate-income borrowers approximates demographic comparators. Based on the 30 consumer borrowers sampled, the bank's distribution of loans to low- and moderate-income individuals mirrored the percentage of AA families in the low- and moderate-income categories. FNB granted 37 percent of its consumer loans to low- and moderate-income borrowers, while demographic data shows that 36 percent of families in the assessment area (AA) fall into the low- and moderate-income category. We obtained the demographic information from the 2000 United States Census.

The distribution of loans to businesses of different sizes is difficult to compare. More than 44 percent of AA businesses did not identify revenue size. Based on our sample of 30 commercial real estate loans, the bank makes 80 percent by number and 83 percent by dollar amount of its business loans to small businesses. This compares favorably with the demographic comparator of 52 percent, but compares unfavorably with the percentage of reporting businesses that are small businesses according to revenue size (93 percent). The large percentage of businesses not reporting revenue size diminishes the usefulness of this comparison. We obtained the demographic information from 2002 Dunn and Bradstreet reports.

- The bank originated a significant majority of its loans in the AA. Based on our sample of consumer loans, FNB originates 93 percent its loans by number and 95 percent by dollar amount within its AA. Based on our sample of business loans, the bank originates 70 percent of its loans by number and 75 percent by dollar amount within its AA.
- The bank's average loan-to-deposit ratio since the last examination reflects a strong responsiveness to community credit needs. The bank's average loan-to-deposit ratio since the last examination date, July 1999, exceeds the standard for satisfactory performance. The bank's average loan-to-deposit ratio of 83 percent compares favorably to the ratios of similarly situated banks in the AA. Competing banks' ratios ranged from 62 percent to 93 percent and averaged 75 percent.
- The geographic distribution of loans is satisfactory. Based on our sample, the bank's record of making consumer loans in low- and moderate-income areas was poor. FNB made nearly all its consumer loans to borrowers in middle- or upper-income areas. However, our review of area maps showing census tracts by income designation and number of housing units indicated that the bank's branches are located in business-oriented census tracts surrounded by middle- and upper-income geographies. Since the bank has only seven branches, it is reasonable that consumer borrowers should reflect the areas surrounding the bank's branches.

- FNB did not receive any consumer complaints about its performance in helping to meet the credit needs of the assessment area during the evaluation period.
- We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

First National Bank of Layton (FNB) is a full service community bank headquartered in Layton, Utah. FNB has seven offices located along the Wasatch Front from northern Davis County to southern Salt Lake County. As of September 30, 2003, the bank had total assets of \$228 million. Net loans represented 63 percent of total assets. FNB has no banking affiliates or subsidiaries. FNB's primary business focus is to provide credit and deposit services to meet the needs of small businesses and consumers within the AA. The bank is especially active in providing commercial real estate loans.

The prior Community Reinvestment Act Performance Evaluation was dated July 12, 1999, with a "Satisfactory" rating.

The bank does not have any financial or legal impediments that prevent it from meeting the credit needs of the community/assessment area.

Please refer to the bank's *CRA Public File* for more information.

DESCRIPTION OF DAVIS AND SALT LAKE COUNTIES

FNB's AA consists of Davis and Salt Lake Counties, Utah, and is part of the Salt Lake City-Ogden metropolitan statistical area. The AA is comprised of 192 census tracts. Eight census tracts are considered low-income, 42 are moderate-income, 96 are middle-income, and 46 are upper-income census tracts. According to 1990 census data, 62 percent of the 313,000 housing units in the AA were owner occupied, and six percent were vacant. Census data also lists the population of the AA as 914,000. For 2003, the U.S. Department of Housing and Urban Development (HUD) estimates the median income for the Salt Lake City-Ogden Metropolitan Statistical Area (MSA) at \$61,100. The strong housing market of the late 1990s has slowed. There are current estimates that the supply of residential housing is nearly a year ahead of demand. The average price of an existing home sold in 2000 was \$145,600; the average price of new construction was \$176,479; and the rent of an average two-bedroom apartment was between \$600-\$800. In addition, office vacancy rates have increased from previous levels.

While the Salt Lake City-Ogden MSA has a highly diversified economy, it has shown some recent volatility. The MSA has numerous high-tech firms, medical, biotech, and computer software companies. These sectors have been impacted by the national recession and a number of jobs have been lost in the high-tech industries. Delta airlines has a hub in Salt Lake City and is expected to have some layoffs, but the company has not announced specifics. Unemployment

has jumped significantly in the past year with the State of Utah showing year-end 2002 unemployment just over 6 percent. State government has been the largest employer in the area but decreasing state revenues led to the reduction of nearly 400 jobs. Tourism has traditionally been an important year-round part of the state's economy.

We reviewed information provided by community representatives, Performance Evaluations from other banks in the Salt Lake City-Ogden MSA, and Internet sources. Community contacts stated the local economy is slowly improving and emphasized a need for small business loans and loans for affordable housing. Contacts indicated financial institutions are generally meeting the credit needs of the community. The contacts said that the larger financial institutions are generally responsive to area needs and are involved, and smaller banks are not as active. However, contacts also indicated that many of the large banks operating in the area are headquartered out of state. Contacts generally considered it to be negative that individuals in headquarters cities, with no knowledge or sensitivity for local issues, made loan and investment decisions for the local bank.