



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 27, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**P.O. Box 248
Layton, Utah 84041**

**Office of the Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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.
--

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of Layton** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 27, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory**”.

First National Bank of Layton (FNBL) demonstrates satisfactory performance in meeting its community's credit needs. This is evidenced by a reasonable loan-to-deposit ratio and more than 80% of loans made in 1995 and year-to-date in 1996 were to individuals and companies located within your assessment area. The bank's lending activity reflects a good distribution among businesses of different sizes and individuals of different income levels.

The following table indicates the performance level of *First National Bank of Layton* to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Layton Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

FNBL operates with a main office in Layton, Utah and four other branches in Davis County . Two of these branches have opened in the past year. The bank also has four ATMs. FNBL has \$73 million in average assets, \$34 million in net loans and about \$65 million in deposits. FNBL has no constraints in its ability to meet credit needs within its assessment area. Lending activity has increased over the past several years and the bank's portfolio reflects a reasonable distribution between different loan types. The portfolio is distributed, by percentage, as follows: residential real estate 41%; commercial real estate 29%; commercial and agriculture 14%; and consumer loans 16%.

FNBL's most recent CRA examination was performed in December 1993. Based on that examination the bank demonstrated a satisfactory record of meeting its community's credit needs.

DESCRIPTION OF DAVIS COUNTY, UTAH:

The bank's designated assessment area comprises Davis County, which is part of the Salt Lake City Metropolitan Statistical Area (MSA). The county has a population of 187,641, making it the third most populous in Utah. Its largest cities are Layton, with a population of 41,784 and Bountiful, with 36,659. The county has thirty-six census tracts (CT's). The 1990 Census MSA median family income for the Salt Lake MSA is \$35,239. Based on this fourteen, or 39% of the CT's are considered upper income, eighteen, or 50%, are considered middle, just three, or 8% are moderate, and only one, or 3%, is low. The bank's designated assessment area meets the requirement of the regulation and does not arbitrarily exclude low and moderate income census tracts.

Davis County is home to Hill Air Force Base, Utah's largest employer. Another significant employer is the Freeport Center, the largest distribution center in the United States. The county ranks high compared with the rest of the state in industry, trade, and agriculture. Strong economic growth has occurred over the past several years, fueled primarily by demand for residential housing. Housing data show that in some areas of the county home prices have doubled in the past five years. Banking competition in the county is significant. Various financial institutions, including FNBL, have 87 offices in the area.

We contacted four community/business organizations in the area to discuss economic conditions and credit needs. Individuals at these entities confirmed that the local economy is strong, and all cautioned, that it cannot continue at the pace experienced over the past five years. Each commented that local financial institutions are adequately meeting community credit needs . When asked where banks could improve in terms of community service, three of the four mentioned facilitating small business financing. Specifically, they suggested that bank's could expand efforts in financing business start-ups and providing working capital lines of credit .

Several comments were also received regarding affordable housing in the county. In their opinion low-cost housing is not a significant concern at this time, but could be in the near future.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio:

FNBL exhibits a reasonable loan-to-deposit (LTD) ratio when considering levels achieved by a similarly situated institution in its community. The LTD ratio has averaged 51% over the past eight quarters and is at 53% as of 3/31/96. The similarly situated institution is 2.5 times as large, but is headquartered in Davis County (Kaysville) and offers a similar product mix to essentially the same market as FNBL. The similarly situated institution's LTD ratio has averaged 67% for the eight quarters through 12/95 and was at 70% at the end of the year.

FNBL does not originate long term real estate loans. Instead, for a fee FNBL acts as an intermediary providing their customers access to the secondary real estate market. For the period 1995 through 5/31/96 the bank had facilitated the financing of 71 homes for \$8.9 million to the secondary market. These transactions however are not reflected in the bank's LTD ratio. The bulk of other competing financial institutions in the county are comprised of branches of regional and other specialty banks. Their LTD ratio information was not available in a conducive format for comparative purposes.

Loan-to-deposit trends at FNBL are up, and loan growth has been commensurate with overall asset growth. Discussions with management indicate further loan growth is likely, resulting from the bank's new locations and continued economic prosperity in the area.

Lending Within the Assessment Area:

FNBL's analysis shows 89% of loans made in 1995 were in the bank's assessment area (AA). Of the 336 loans made to date in 1996 (including renewals), 81% are within the bank's AA. The bulk of loans made outside the bank's AA are in adjoining Weber and Salt Lake Counties.

Geographic Distribution of Loans:

We found FNBL's lending within its assessment area to be reasonably distributed. Loans with coded census tract information (those originated in 1996) were counted and input to a map of Davis County. The highest number of originations are in the Layton area in particular, and the northern end of the County in general. The bank's Bountiful branch, in the southern portion of the county, opened in December 1995. To date only a few loans have been originated in Bountiful.

FNBL's lending activities in low and moderate-income areas are reasonable. One of the moderate-income areas comprises Hill AFB, which has 1,200 families. The bank has made just one loan there in 1996. CEO Holt says the bank has been unable to market its products there due to competitive factors. A local regional bank has three branches on the base, and two credit unions are located there as well. FNBL has good loan penetration in the moderate-income area near its main office. The single low-income CT contains just seven households, hence analysis of lending to this area would not be meaningful.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes:

FNB Layton's lending to consumers exhibits reasonable distribution among borrowers of different income levels. Based on sampling of 25 consumer real estate borrowers and 25 other consumer borrowers we found the following distribution by income levels:

Income Level	% of Families in Assessment Area	% of Sample Consumer Real Estate	% of Sample Other Consumer
Low	13%	8%	48%
Moderate	18%	24%	16%
Middle	28%	40%	32%
Upper	41%	28%	4%

The bank's lending activity exhibits reasonable distribution among businesses of varying sizes as well. Based on a sample of 25 borrowers with existing commercial loans, we found that 68% were to small businesses. A distribution of this sample, based on gross annual revenues, follows:

<u>Gross Annual Revenues</u>	<u>Percent of Sample</u>
under \$100,000	8%
\$100,000 to \$499,000	40%
\$500,000 to \$999,000	20%
over \$1,000,000	32%

Other Information:

The bank has received no written complaints regarding its CRA performance since the prior examination.

No violations of the substantive provisions of anti-discrimination laws and regulations were identified during this examination.