

# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

October 2, 2000

### Community Reinvestment Act Performance Evaluation

First National Bank of Northern California  
Charter Number: 15089

975 El Camino Real  
South San Francisco, California 94080

Office of the Comptroller of the Currency

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**NOTE:** 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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## 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 CRA performance of **First National Bank of Northern California, South San Francisco, California** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **October 2, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. 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. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States 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 United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan 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% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States 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 United States 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% and less than 120% of the MFI.

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

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

**Small Farm Loans** - Loans with original amounts of \$500 thousand 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 noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## OVERALL CRA RATING

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

The following table indicates the performance level of First National Bank of Northern California with respect to the lending, investment, and service tests.

Performance Levels	First National Bank of Northern California		
	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

\* Note: 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:

- The geographic distribution of small business loans is adequate.
- Community development lending has a positive impact on the Lending Test conclusion for the bank's assessment area.
- The bank made an adequate level of qualified investments during the evaluation period.
- The distribution of branches is good and community development services have a neutral impact on the Service Test conclusion for the bank's assessment area.

## DESCRIPTION OF FIRST NATIONAL BANK OF NORTHERN CALIFORNIA

First National Bank of Northern California (FNB) is a 37-year-old community bank, headquartered in South San Francisco, California. The bank is an intrastate bank and is not owned by a holding company.

As of June 30, 2000, the bank had total assets of slightly more than \$350 million. Total loans are \$239 million and are primarily focused on business lending. Loans secured by commercial real estate constitute 47 percent of the loan portfolio; commercial and industrial loans 17 percent, and construction and development loans 20 percent. FNB also has small portfolios of home equity loans and multi-family residential loans. Lending is concentrated in the bank's assessment area.

FNB has 12 branches, in 2 counties of the San Francisco MSA. The bulk of the bank's operations are in San Mateo County with 11 branches. The other branch is in San Francisco County. The bank established the San Francisco branch primarily to facilitate transactions of existing customers. The customers are located in San Mateo County but market their products in San Francisco.

FNB's Tier 1 Capital as of June 30, 2000, was \$41 million. There are no legal, financial, or other factors impeding the ability of the bank to meet the credit needs of its assessment area. The bank was not involved in any mergers or acquisitions during the evaluation period. Previously, the bank received a Satisfactory rating at the CRA examination dated September 30, 1997.



## SCOPE OF THE EVALUATION

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

We evaluated FNB's performance using Small Business data for the period between January 1, 1999 and June 30, 2000. We focused on this time period because the bank did not begin to report Small Business data until 1999. Our assessment period for community development activities and retail banking services was from December 10, 1997, through October 2, 2000. The starting date of the assessment period coincides with the ending date for data considered during the last CRA Performance Evaluation. Our review of lending focused on small business lending due to the bank's significant lending volume of small business loans. We did not evaluate home mortgage products or loans to small farms due to the low lending volume for those products.

### **Data Integrity**

We performed a data integrity examination in August 2000 and noted some errors in the bank's submission of Small Business data. The bank reviewed its entire submission and corrected errors prior to the completion of our assessment of the bank's CRA performance. We also reviewed community development loans, qualified investments, and community development services. We consider the data disclosed in the Appendix C tables to be reliable.

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

We selected the San Francisco MSA as a full-scope assessment area. There are no other full-scope or limited-scope assessment areas.

### **Ratings**

Our analysis of FNB's performance is based on the performance in the bank's full-scope assessment area.

Our evaluation under the Lending Test focuses exclusively on FNB's small business loans and community development activities. The bank's home mortgage loans and small farm loans are not considered in the rating, as the limited activity does not provide for a meaningful analysis.

## Other

We conducted two interviews with persons representing community development organizations during this CRA examination. Information from six other community organizations (prior contacts) was also reviewed. The organizations are located throughout FNB's assessment area. The community groups and public agencies were equally divided between economic and community development providers and affordable housing providers. Below is a summary of the most pressing needs and concerns identified within the community:

- The affordable housing providers indicated that due to the economic boom, housing costs in San Mateo County have increased. Small business rents are high and wages have not kept pace with the cost of living. There is no land or government subsidy program to accommodate the low- and moderate-income neighborhoods in San Mateo County. However, there are opportunities for participation by local financial institutions in community development and financing programs. These programs generally require the financial institution to pay a one-time fee, participate in an annual operating grant, and invest in a loan pool that includes housing and small business programs.
- The affordable housing providers identified a high demand and a limited supply of housing in San Francisco County. Owning a home for low-income residents is beyond their means. There is little vacant land to construct homes and the cost is prohibitive even if properties are located. There are more financial institutions trying to invest in affordable housing projects than there are viable projects. And it is difficult for smaller banks to compete with larger institutions on the projects that are available. Interviewees identified the need for local financial institutions to provide first-time homebuyers training, financing for home purchase, and financing repairs to existing low-income homes.
- The economic and community development providers expressed a need for local financial institutions to provide technical assistance, guidance, and financing to small businesses. There is also a great need for local financial institutions to teach small businesses about loan packaging requirements of banks and financing resources.

## FAIR LENDING REVIEW

We analyzed 1999 Small Business and Small Farm lending data, 1998 Home Mortgage Disclosure Act submissions, public comments, and consumer complaint information, according to the OCC's risk-based fair lending approach. Our analysis revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Lending Test

FNB's performance under the Lending Test is rated "Low Satisfactory." Based on the full-scope review, the bank's performance in the San Francisco MSA is adequate.

We focused on FNB's small business lending because this a primary market niche of the bank. Since small business lending is an identified need in the assessment area, FNB's performance in this product line carries significant weight.

- Small business lending volume is adequate.
- Geographic distribution of small business loans is adequate.
- Distribution of small business loans by size of business is adequate.
- Community development lending has a positive impact on the Lending Test conclusion.

### Lending Activity

*(Refer to Tables 1 and 5 in Appendix C for the facts and data used to evaluate the bank's lending activity.)*

Since the bank's last CRA examination, the loan-to-deposit percentage averaged 74 percent for the 11 quarters reviewed, ending June 30, 2000. This compares favorably to 66 percent for 12 other financial institutions with total assets between \$190 million and less than \$1 billion in the assessment area.

We focused on the bank's small business lending. FNB's small business lending volume is adequate. We base this on the bank's market share and rank of small business loans compared to the market share and rank of the bank's deposits.

FNB originated 318 reportable small business and one community development loan in the assessment area during the evaluation period. For the year ended December 31, 1999, FNB's market rank in its assessment area for small business loans was 15th. This compares favorably to its market rank for deposits, which was 17th. The bank's market share of the number of small business loans in the assessment area of 0.84 percent also compares favorably to its corresponding share of deposits of 0.52 percent.

Included in the 318 small business loans originated, the bank approved 20 Small Business Administration (SBA) loans and 19 California Guaranteed loans, totaling \$1.6 million and \$2.2 million, respectively. FNB also funded a \$165 thousand line of credit to the City of Daly City, with funds used to finance the Daly City Business Center. The center is a "Small Business Incubator" designed to assist

start-up companies by providing low cost office space and low overhead secretarial services. The center accommodates up to 40 tenants.

There is significant competition for small business lending within the bank's assessment area. Six large financial service providers, each with total assets in excess of \$10 billion, dominate small business lending activity, by number of loans and dollar amount. Together, these lenders held over 75 percent of reported loans (those in amounts of \$1 million or less) in 1999. These institutions use credit-scoring models and have lower administration costs per loan. Performance expectations for FNB's small business lending activity should be framed in this context.

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

*(Refer to Table 5 in Appendix C for the facts and data used to evaluate the distribution of loans by income level of the geography.)*

The geographic distribution of small business loans in the assessment area is adequate. In moderate-income geographies, the percentage of the bank's loans to businesses equals the percentage of businesses located in those geographies and is considered good. While lending in low-income geographies is poor relative to the area demographics, this is mitigated in part. The bank made a much lower percentage of small business loans to borrowers in low-income geographies than the percentage of small businesses located in those geographies, which is the reason we consider the performance to be poor. The mitigating factor is that FNB's distribution of loans by income level of the geography is more effective when considering the location of the bulk of the bank's operations, which are in San Mateo County. FNB exceeds the demographic for moderate-income geographies in San Mateo County. San Mateo County does not have any low-income geographies.

Market share analysis further supports a conclusion that the bank adequately responds to the need for small business in low- and moderate-income geographies. The bank's market share of small business loans to borrowers in these areas is less than its overall market share, when analyzing the assessment area. However, FNB slightly exceeds its overall market share of 1.66 percent in the moderate-income geographies in San Mateo County by 0.20 percent.

### **Lending Gap Analysis**

We reviewed reports detailing FNB's small business lending activity to determine if any gaps in the geographic distribution of lending were evident. We did not identify any conspicuous gaps.

### **Lending Inside Versus Outside of the Assessment Area**

The bank made a majority (78 percent at June 30, 2000) of CRA reportable small business loans within the San Francisco and San Mateo Counties. This demonstrates a satisfactory focus on serving the credit needs of the assessment area.

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

*(Refer to Table 10 in Appendix C for the facts and data used to evaluate the distribution of loans by income level of the borrower.)*

The distribution of small business loans by size of business is adequate. Of the business loans made by FNB, 45 percent were to businesses with revenues of \$1 million or less. This is below the demographic for the assessment area but comparable to other institutions. The area demographic shows 85 percent of businesses in the assessment area have revenues of \$1 million or less.

### **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.)*

FNB's level of community development lending has a positive impact on the conclusion on the Lending Test. FNB made one loan that meets the community development definition in the regulation. The loan qualifies as community development because it meets the revenue size outlined in Small Business Administration regulations for businesses in the service industry and the purpose of the loan is economic development. The bank advanced funds to assist in the construction of a hotel in a redevelopment area of a city located in San Mateo County. This community development loan directly affects San Mateo County, and is responsive to the credit needs by providing permanent jobs in an area targeted by a local government for redevelopment. This loan represents a substantial 13.1 percent of the bank's Tier 1 Capital.

### **Product Innovation and Flexibility**

FNB did not present any examples of innovative or flexible loan products for consideration.

## Investment Test

The bank's performance under the Investment Test is rated “Low Satisfactory.

*(Refer to Table 12 in Appendix C for the facts and data used to evaluate the FNB's level of qualified investments.)*

FNB's level and nature of community development investments reflect an adequate responsiveness to community needs. The assessment area has many opportunities for community development investment.

However, numerous financial institutions (some much larger than FNB) and other entities compete for opportunities in the assessment area. In addition, prior to the current evaluation period, FNB was considered small for CRA purposes and did not have an obligation to make community development investments. In this context, FNB achieved adequate results.

During the evaluation period FNB made 12 qualified investments totaling \$1.8 million, which represents 4.5 percent of the bank's Tier 1 Capital. The majority of the amount invested went towards affordable housing and includes the following:

An investment of \$820,000 in a tax credit fund. The fund's mission is to invest in affordable housing properties in the State of California. Currently, the fund is researching and analyzing potential developers and properties. The bank's assessment area is included in the broader regional area the fund serves.

An investment of \$1 million in a fund that lent monies to four affordable housing properties located in northern California. The bank's investment was allocated to two of the properties that are adjacent to and within commuting distance of the assessment area. While not in the bank's assessment area it does help to meet local needs for affordable housing. The assessment area and the entire San Francisco CMSA is a high cost area and affordable housing is desperately needed. FNB purchased the investment from a department of a regional bank. The department's stated mission is to underwrite affordable housing issues in the State of California. FNB's investment helps support a secondary market for affordable housing bonds issues in a broader regional area, which includes the assessment area.

The remaining amount includes \$21,661 in grants, contributions, and donations. Although all of these investments are responsive to identified needs, none of the investments is notable for innovation or creativity.

## Service Test

The bank's performance under the Service Test is rated "High Satisfactory." FNB's banking services are readily accessible to essentially all portions of the assessment area. Community development services

had a neutral impact on the Service Test conclusion.

Branch openings and closings did not adversely impact the accessibility of the bank's delivery systems, particularly to low- and moderate-income individuals. Bank services are tailored to meet the needs of the assessment area.

## **Retail Banking Services**

*(Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of FNB's branch and Automated Teller Machine (ATM) delivery system.)*

FNB's banking services are readily accessible to geographies and individuals of different income levels in its assessment area. There is one branch in a low-income geography, exceeding the demographic. The bulk of the bank's operations are in San Mateo County, which does not have any low-income geographies. FNB has four branches in moderate-income geographies, which significantly exceeds the demographic (33 percent versus the demographic of 22 percent). The number of FNB's ATMs in low- and moderate- income geographies, exceeds the portion of the low- and moderate- income population that resides in those geographies.

Banking hours are generally tailored to the areas surrounding the branches. Seven of the twelve branches, including two of the four branches located in moderate-income geographies, are open on Saturday. The San Francisco branch, which is located in a low-income geography, has restricted hours compared to the bank's other branches. This branch was established to facilitate transactions of customers located in San Mateo County that market their products in San Francisco. These customers do not require banking services after 1:00 PM based on the nature of their business.

We evaluated the bank's record of opening and closing branch offices since the previous examination. During the evaluation period the bank closed one branch in a moderate-income census tract and opened one branch in a middle-income census tract. The branch in the moderate-income census tract was closed due to a lack of profitability. The bank is still able to conveniently service the customers of this branch, as there are three other branches located near the closed location.

The bank offers several convenient services, although not specifically targeted to low- and moderate-income individuals. As the services are not targeted no significant weight could be given to the bank's performance in providing these services. The services include the following:

- Twenty-four hour telephone banking service that allows customers to obtain deposit information, and transfer money between linked accounts.
- Computer banking for its business customers that allows these customers to check balance information, generate automated payments, and create book transfers and stop payments, and exchange electronic messages.

- Couriers and bank-by-mail services.
- A low-cost, limited use checking account.

### **Community Development Services**

Community development services had a neutral impact on the Service Test conclusion.

FNB provides services that are responsive to the community needs of the assessment area. These services include providing technical assistance and bank operational services to non-profit organizations that target services to small business lending and community development. FNB's management encourages employee involvement, and bank personnel play an active role in various community organizations within the bank's assessment area.

The following are major highlights of community development service activities in the bank's assessment area during the evaluation period.

- FNB created a partnership with a local municipality to provide micro-loans to small businesses in the community. This program acts as an "incubator" to help small businesses develop. Although the program has generated little lending activity during the evaluation period, the bank has provided speakers for several seminars targeted to small businesses.
- A bank officer serves as treasurer for a statewide association for micro-enterprise development organizations. The mission of the group is to increase opportunities for low-income people and communities by building the capacity of California's micro-enterprise organizations. It also acts as an advocate for non-profit organizations to obtain funding from the California State Assembly as well as to provide technical assistance. Membership is made up of non-profit organizations, government agencies, financial institutions, foundations and individuals committed to creating self-employment opportunities for disadvantage individuals. Currently, they serve over 100 non-profit organizations.

Bank officers also participate in other non-profit groups and organizations. These officers serve as board members or officers and provide training and guidance to small businesses.



**APPENDIX A: SCOPE OF EXAMINATION**

<b>Time Period Reviewed</b>	Lending test (excludes CD loans): 01/01/1999 to 06/30/2000 Investment and Service Tests and CD loans: 12/10/1997 to 10/02/2000	
<b>Financial Institution</b>		<b>Products Reviewed</b>
First National Bank of Northern California South San Francisco, California		Small business lending, community development loans, qualified investments, and community development services.
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
San Francisco MSA	Full-Scope	

**APPENDIX B: SAN FRANCISCO MSA\***

Demographic Information for Full Scope Area: San Francisco MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA** % of #
Geographies (Census Tracts/BNAs)	310	7.42	19.35	40.65	28.39	4.19
Population by Geography	1,373,582	7.61	22.63	45.86	23.78	0.12
Owner-Occupied Housing by Geography	251,264	1.48	13.91	49.36	35.24	0.00
Business by Geography	75,829	18.17	21.49	36.81	23.37	0.16
Farms by Geography	769	4.81	20.29	41.35	33.16	0.39
Family Distribution by Income Level	307,995	20.99	18.71	23.02	37.28	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	122,261	11.31	30.92	45.12	12.64	0.00
Median Family Income HUD Adjusted Median Family Income for 2000 Households Below Poverty Level		49,282 74,900 7.70%	Median Housing Value Unemployment Rate (1990 US Census)		328,885 3.43%	

\* Information depicts the two county assessment area, San Francisco and San Mateo Counties. It does not include Marin County, which is also part of the San Francisco MSA.

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

Source: 1990 US Census and 2000 HUD updated Median Family Income.

The table and the information following, describe the entire San Francisco MSA. The San Francisco MSA consists of three counties, San Francisco, San Mateo and Marin. FNB's assessment area includes two of these counties, San Francisco and San Mateo.

The San Francisco MSA is urban in nature with an economy that is growing, diverse, and strong. The largest business sectors are services, retail trade, finance-insurance-real estate, wholesale trade, and construction, according to 1999 Dun & Bradstreet data. High-tech firms play an increasingly important role in the economy of the MSA. San Francisco is the city headquarters for many large corporations, including three of the largest banks in the United States. The current unemployment rate is 2 percent according to the U.S. Bureau of Labor Statistics. The 10 largest employers are United Airlines, University of California at San Francisco, Oracle Corporation, Bank of America Corporation, Pacific Gas & Electric Company, Kaiser Permanente, UCSF Stanford Health Care, Wells Fargo & Company, Charles Schwab Corporation, and Pacific Bell, according to the San Francisco Business Times. The population is growing and is currently estimated at 1.69 million persons by the U.S. Census Bureau. The population growth and prosperity of the MSA have affected residential real estate, making the MSA one of the least affordable housing markets in the country. The average sales price for existing single-family homes reached \$400 thousand in January 2000, according to the National Board of Realtors.

Information obtained from the bank and two community contacts on file show that the predominant needs in the assessment area are financing of affordable housing, and micro-loans and other types of credit for small businesses. There are a number of private and government organizations that have special programs to meet the needs of the San Francisco MSA. Barriers for these programs are the high cost of real estate, the number of entities competing to participate in programs, the 'not in my back yard' (NIMBY) syndrome, and the need for special expertise. Generally, the larger and more profitable a full service financial institution is, the more likely it will possess the resources and expertise to participate in programs. Exceptions are institutions that have a narrow business focus.

## APPENDIX C: TABLES OF PERFORMANCE DATA

### Content of Standardized Tables

References to the  $\Delta$  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; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; 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 rank and 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 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 rank and market share information based on the most recent aggregate market data available.

- Table 6. 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 rank and market share information based on the most recent aggregate market data available.
- Table 7. 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 rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. 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 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) 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 12. 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 13. 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: 01/01/1999 TO 06/30/2000										
MSA/Assessment Area	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans (#) in AA
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Scope</b>												
FNB AA	100.00	5	121	318	31,218	4	620	1	5,358	328	37,317	100.00

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\* Deposit Data as of June 30, 2000.

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

Geographic Distribution: HOME PURCHASE																Evaluation Period: 01/01/1999 TO 06/30/2000	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans		
	% 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	#	% of Total**	
<b>Full Scope</b>																	
FNB AA	1.48	100.00	13.91	0.00	49.36	0.00	35.24	0.00	N/A	N/A	N/A	N/A	N/A	N/A	1	100.00	

Note: HMDA data was not analyzed because of low activity. Thus, N/A is appropriate.

\* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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



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

Geographic Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1999 TO 06/30/2000						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% 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	#	% of Total**
<b>Full Scope</b>																
FNB AA	1.48	100.00	13.91	0.00	49.36	0.00	35.24	0.00	N/A	N/A	N/A	N/A	N/A	N/A	2	0.00

Note: HMDA data was not analyzed because of low activity. Thus, N/A is appropriate.

\* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1999 TO 06/30/2000						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% 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	#	% of Total**
<b>Full Scope</b>																
FNB AA	1.48	0.00	13.91	0.00	49.36	0.00	35.24	50.00	N/A	N/A	N/A	N/A	N/A	N/A	2	0.00

Note: HMDA data was not analyzed because of low activity. Thus, N/A is appropriate.

\* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL BUSINESS										Evaluation Period: 01/01/1999 TO 06/30/2000						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
<b>Full Scope</b>																
FNB AA	18.17	7.23	21.49	21.38	36.81	57.55	23.37	13.84	15	0.84	0.55	0.76	1.24	0.46	318	100.00

\* Based on 1999 Aggregate Small Business Data only. Market rank is for all income categories combined.

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

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

Geographic Distribution: SMALL FARM																Evaluation Period: 01/01/1999 TO 06/30/2000	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans		
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
<b>Full Scope</b>																	
FNB AA	4.81	0.00	20.29	0.00	41.35	25.00	33.16	75.00	57	0.02	N/A	N/A	N/A	N/A	4	100.00	

Note: Farm loan data was not analyzed because of low activity.

\* Based on 1999 Aggregate Small Business Data only. Market rank is for all income categories combined.

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

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HMDA HOME PURCHASE										Evaluation Period: 01/01/1999 TO 06/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Purchase Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope</b>																
FNB AA	20.99	100.00	18.71	0.00	23.02	0.00	37.28	0.00	N/A	N/A	N/A	N/A	N/A	N/A	1	0.00

Note: HMDA data was not analyzed because of low activity. Thus, N/A is appropriate.

\* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available.

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

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

Borrower Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1999 TO 06/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*					Total Home Improvement Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope</b>																
FNB AA	20.99	100.00	18.71	0.00	23.02	0.00	37.28	0.00	N/A	N/A	N/A	N/A	N/A	N/A	2	0.00

Note: HMDA data was not analyzed because of low activity. Thus, N/A is appropriate.

\* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 1% of loans originated by Bank.

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

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1999 TO 06/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Mortgage Refinance Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope</b>																
FNB AA	20.99	0.00	18.71	0.00	23.02	0.00	37.28	0.00	N/A	N/A	N/A	N/A	N/A	N/A	0	0.00

Note: HMDA data was not analyzed because of low activity. Thus, N/A is appropriate.

\* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 1% of loans originated by Bank.

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

**Table10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL BUSINESS		Evaluation Period: 01/01/1999 TO 06/30/2000							
MSA/Assessment Area	Businesses With Revenues of \$1 million or less		% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*			Total Small Loans to Businesses
	% Business**	% Bank Loans***	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total****
<b>Full Scope</b>									
FNB AA	84.79	44.97	81.45	8.81	9.75	0.17	0.65	318	100.00

\* The market consists of all other Small Business reporters in Bank's assessment area and is based on 1999 Aggregate Small Business Data only.

\*\* Businesses with revenues of \$1million or less as a percentage of all businesses.

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

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



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

Borrower Distribution: SMALL FARM		Evaluation Period: 01/01/1999 TO 06/30/2000							
MSA/Assessment Area	Businesses With Revenues of \$ 1million or less		% Distribution Loans by Original Amount Regardless of Farm Size			Market Share*		Total Small Farm Loans	
	% Farms**	% Bank Loans***	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total****
<b>Full Scope</b>									
FNB AA	91.55	50.00	25.00	50.00	25.00	0.00	0.00	4	100.00

Note: Farm loan data was not analyzed because of low activity.

\* The market consists of all other Small Farm reporters in Bank's assessment area and is based on 1999 Aggregate Small Business Data only.

\*\* Farms with revenues of \$1 million or less as a percentage of all farms.

\*\*\* As a percentage of loans with borrower income information available.

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

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS		Evaluation Period: 01/01/1999 TO 06/30/2000							
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Scope</b>									
FNB AA	0	0	12	1,842	12	1842	100.00	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that remain outstanding.

\*\* "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".

**Table13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																Evaluation Period: 01/01/1999 TO 06/30/2000			
MSA/Assessment Area	Deposits	Branches						Branch Openings/Closings						Population					
	% of Rated Area Deposits in MSA/AA	# of Bank Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies (%)				# of Branch Closings	# of Branch Openings	Net change in Location of Branches (+ or - )				% of the Population with Each Geography*					
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp		
<b>Full Scope</b>																			
FNB AA	100.00	12	100.00	8.33	33.33	50.00	8.33	1	1	0	- 1	1	0	7.61	22.63	45.86	23.78		

\* The percentage of the population in the MSA/AA that resides in these geographies.