



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

December 9, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**FIRST NATIONAL BANK OF NORTHERN CALIFORNIA
Charter Number 15089**

**975 El Camino Real
South San Francisco, CA 94080**

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 NORTHERN CALIFORNIA** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of DECEMBER 9, 1997. 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.**”

- A substantial majority (84%) of the bank's loan dollars and loan numbers (87%) are within its assessment area.
- First National Bank's loans are well distributed among the geographies.
- The loans are reasonably disbursed among borrowers of various incomes and businesses of different sizes.
- The bank's loan-to-deposit ratio meets the standard for satisfactory performance.

DESCRIPTION OF INSTITUTION:

First National Bank of Northern California (FNB) reported assets of \$276.2 million as of October 30, 1997. This community bank was established in 1963. FNB's corporate office is located in San Mateo County, Northern California. The bank operates eleven branches in San Mateo County and one branch in San Francisco County. Full-service Automated Teller Machines (ATMs) are attached to all of the bank's branches. In addition, FNB owns and operates three ATMs at three colleges. The three colleges are located in the cities of San Mateo, San Bruno, and Redwood City.

As of October 31, 1997, FNB had \$178 million in loans, comprising 64 percent of the bank's total assets. The loan portfolio included: 55 percent real estate (including consumer and commercial loans); 34 percent business; and 11 percent consumer loans.

The bank's CRA performance was last evaluated February 1, 1995, and was assigned an "outstanding" rating. There are no impediments to the bank's ability to lend.

DESCRIPTION OF ASSESSMENT AREA:

FNB designated the counties of San Mateo and San Francisco as the bank's assessment area (AA). Both counties are located within the San Francisco Metropolitan Statistical Area (MSA). There are 16 cities and a number of communities located within the AA. Within the AA there are 310 census tracts, 23 (7percent) are low-income and 60 (19 percent) are moderate-income. There are also 126 (41 percent) middle-income and 88 (28 percent) upper-income tracts. Additionally, there are 13 census tracts (4 percent) for which the 1990 census did not report any income. Within the AA, 8 percent of the population lives below the poverty level.

According to the 1990 census, the median family income for the AA is \$49,282. The AA is culturally and economically diverse. The largest employers within the AA are services, retail trade, government, finance and insurance, transportation, and manufacturing.

The bank operates in a very competitive environment. There are a number of local community banks, savings and loan associations, credit unions, and branches of major banks competing for the available business within the AA.

As part of this examination, we considered information obtained from a local government entity, redevelopment agency, state reinvestment committee, local housing organization, and a community development intermediary. Our contacts identified credit needs for multi-family housing, temporary mortgage loans, and micro business loans. Additionally, small businesses need technical assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our conclusions are based on the bank's lending activity from March 1, 1995, through October 31, 1997. We used loan data developed by the bank and sampled a number of the loans to confirm the accuracy of the information.

We examined this bank under the criteria established for small banks (banks with assets of less than \$250 million). This bank attained \$250 million in assets in September 30, 1997. In order to be examined under the large bank criteria, the bank had to have attained \$250 million in assets for one year or more prior to the examination.

Definition: Low-income means the borrower's income is less than 50 percent of the MSA median income and moderate-income means the borrower's income is less than 80 percent of the MSA median income. Middle-income means the borrower's income is less than 120% of the MSA median income. Upper-income means the borrower's income is 120 percent or more of the MSA median income.

LENDING IN THE ASSESSMENT AREA:

FNB's record of lending within its AA exceeds the standard for satisfactory performance. A substantial majority of the loans were made to borrowers within the AA. Of the total loans funded, 87 percent of the number of loans and 84 percent of the dollars were extended within the AA. Refer to the table below for details.

Lending Within Assessment Area

Total Loans by Number and Dollar Amount	Total Loans Made Within the Assessment Area	Percent of Total Loans Made Within the Assessment Area
1,573	1,376	87%
\$194,474,271	\$163,612,997	84%

GEOGRAPHIC DISTRIBUTION OF LOANS:

The bank's loans funded during the period under review are well disbursed throughout the AA. The bank funded loans in the majority of the geographies (census tracts) within the AA. Of the 310 tracts which comprise the AA, the bank extended loans in 226 tracts or 73 percent. FNB extended eight (8) percent of its loan dollars to borrowers in the low-income geographies and 15 percent to borrowers in the moderate-income geographies. Additionally, the bank funded 37 percent to borrowers within the middle-income geographies and 24 percent to borrowers in the upper-income geographies. Sixteen (16) percent of the loan dollars were to borrowers residing out of the bank's AA. Please refer to the chart below for details.

Distribution of Loans Originated Within the Assessment Area

Type Of Tract	Number of Tracts in AA	# of Tracts With Loans	% of Total Tracts	Loan Dollars	% of Total Loan Dollars
N/A*	13	1	0%	25,000	0%
Low-Income	23	12	4%	16,209,740	8%
Moderate-Income	60	40	13%	28,398,867	15%
Middle-Income	126	98	32%	72,380,490	37%
Upper-Income	88	75	24%	46,598,900	24%
Total	310	226	73%	163,612,997	84%

* 1990 census did not report any income for these tracts.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES:

The bank's loans are reasonably disbursed among borrowers of various income levels and businesses of different sizes within the AA. We sampled 25 of the home equity loans originated by the bank during the period under review. According to the results of our sample, each income level received 25 percent of the loans. Refer to table below for details.

**Distribution of Consumer Loans (Sampled) By Borrower Income
Originated Within Assessment Area**

Tract Income Level	Percent of Loans in Sample	Percent of Income Levels
Low- Income	25	25
Moderate-Income	25	25
Middle-Income	25	25
Upper-Income	25	25
Total	100	100

We sampled 25 of the small business loans originated by the bank. The results of the sample showed 52 percent of the loans were extended to small businesses with revenues of less than \$1 million. An additional 48 percent were to business with revenues exceeding \$1 million. Please refer to the chart below for details.

**Distribution of Business Loans By Revenues
Within Assessment Area - Sample**

Business Loans Based Revenues	Loan Dollars	Percent of Number of Loans
>\$100,000<\$250,000	\$215,000	12%
>\$250,000<500,000	\$287,200	20%
>\$500,000<1,000,000	\$734,225	20%
>\$1,000,000	\$2,877,905	48%
Total	\$4,114,105	100%

LOAN TO DEPOSIT RATIO:

FNB's loan-to-deposit ratio meets the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the eight quarters ended June 30, 1997, was 70 percent. The average ratio for three similarly situated banks for the same period was 60 percent. For

purposes of this evaluation, we consider similarly situated banks as those banks which are located in the same MSA with similar asset size.

COMMUNITY DEVELOPMENT:

FNB in participates in the Daly City small business program. As a part of the program, the bank's loan officers participate as instructors for the seminars for small businesses six times annually. Additionally, FNB funds loans, prepares the loan documents, and a loan officer serves on the loan committee.

The bank also participated with Mission Economic Development by funding two loans totaling \$350,000.

INVESTMENTS:

The bank purchased \$55,000 of bonds issued by Daly City, the proceeds of which were used to improve city streets. Additionally, the bank made grants totaling \$7,750 to two organizations - Mission Economic Development and Christmas in April. Both of these organizations focus their activities toward low- and moderate-income individuals and communities.

SERVICES:

Apart from branches and ATMs, the bank uses couriers, bank-by-mail, and computer banking to serve the individuals and businesses within its AA. The bank offers Saturday banking at seven or 58 percent of its branches.

RESPONSE TO COMPLAINTS:

There were no complaints associated with the bank's performance under the provisions of the CRA since our last examination.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATORY LAWS:

The bank's compliance with the anti-discriminatory laws and regulations is satisfactory. We did not identify any discriminatory lending practices.