



PUBLIC DISCLOSURE

July 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**12 South Main
Layton, Utah 84041**

**Office of the Comptroller of the Currency
Salt Lake City Field Office
2855 Cottonwood Parkway, Suite 370
Salt Lake City, Utah 84121**

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 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 **The First National Bank of Layton**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 12, 1999. 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.”**

We assign this rating based on the following factors:

- C FNB’s lending patterns reflect excellent distribution among businesses of different sizes and individuals of different income levels.
- C The bank’s loan-to-deposit ratio is reasonable.
- C A majority of loans are made in the bank’s assessment area.
- C The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Layton (FNB) is a full service community bank located in Layton, Utah. On June 30, 1999, the bank had total assets of \$122 million. The bank has three offices in Layton, one in Clearfield, and one in Bountiful. The bank also operates five deposit-taking ATM's, one at each office. All banking offices are in Davis County, Utah.

FNB specializes in small business and residential real estate lending. On June 30, 1999, commercial loans comprised 77% of outstanding loans, residential real estate loans 11%, and consumer loans 12%. Net loans represent 54% of total assets. The bank's loan portfolio continues to grow steadily. The loan portfolio increased 94% from June 30, 1996, to June 30, 1999.

FNB received a "Satisfactory" rating in the previous CRA Performance Evaluation dated June 27, 1996. There are no financial or legal impediments which limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes all of Davis County, Utah. The assessment area encompasses 36 census tracts (CTs) of the Salt Lake City-Ogden, Utah Metropolitan Statistical Area (MSA) #7160. The assessment area includes the following cities and towns: Clearfield, Clinton, Fruit Heights, Hill Air Force Base, Kaysville, Layton, South Weber, Sunset, Syracuse, West Point, Bountiful, Centerville, Farmington, North Salt Lake, West Bountiful and Woods Cross. Approximately 224,000 people live in the assessment area. We concluded that the bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

FNB's competition in the assessment area comes from branches of nine regional banks, four community banks and six credit unions.

The 1999 updated HUD MSA median family income (MFI) for Salt Lake City-Ogden is \$50,300. The following table summarizes the income levels of individual CTs and of families located within the bank's assessment area:

DESCRIPTION OF ASSESSMENT AREA (continued)

1990 U.S. Census Income	# of CTs (%)	% of Families
Low Income (<50% MFI)	1 (3%)	12%
Moderate Income (50-79% MFI)	3 (8%)	18%
Middle Income (80-119% MFI)	18 (50%)	28%
Upper Income (120+% MFI)	14 (39%)	42%

The largest employment sectors are construction, manufacturing, transportation, communications, finance, education, health care, retail trade and government.

We contacted one community development official in the assessment area to discuss economic conditions and credit needs. This individual stated that the local economy continues a steady rate of growth. Utah maintained one of the nation's fastest growth rates throughout the 1990's. The growth rate slowed in 1998, however, this was anticipated as the previous growth rate was unsustainable. Unemployment remains very low as job creation is steady. The community contact identified the most pressing credit need of the county to be job creation through loans to small businesses. Most Davis County residents commute to other counties for work. There is a great need for local, good-paying jobs for county residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

FNB's lending patterns reflect excellent distribution among businesses of different sizes and individual of different income levels. FNB originated 53% of their business loans to entities with gross revenues less than \$250,000. The bank makes 33% of their residential real estate loans to low- and moderate-income families, comparing favorably to these families' 30% representation in the assessment area.

We analyzed the distribution of 30 business loans made from January 1, 1997 to June 30, 1999. We obtained the gross revenue information from individual loan files. The following chart reflects the distribution of business loan originations to businesses of various sizes:

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Business Loan Sample Analysis

Gross Business Revenues	# of Loans	% of Loans
Less than \$100,000	11	36%
\$100,000 to \$250,000	5	17%
\$250,000 to \$500,000	2	7%
\$500,000 to \$1,000,000	3	10%
Greater than \$1,000,000	9	30%

We also reviewed the distribution of residential real estate loans made from January 1, 1997 to December 31, 1998. We reviewed 36 residential real estate loans using 1997 and 1998 HMDA data. The following chart compares the bank's distribution of residential real estate loan originations (number of loans) to families of different income levels:

Residential Real Estate Loan Analysis

Family Income	% of residential RE loans	% of Families in Assessment Area
Low (<\$25,150)	8%	12%
Moderate (\$25,150-\$40,239)	25%	18%
Middle (\$40,240-\$60,359)	25%	28%
Upper (>\$60,360)	42%	42%

Loan-to-Deposit Ratio

FNB exhibits a reasonable loan-to-deposit ratio given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio for the twelve quarters ending December 31, 1998, was 59%. The median loan-to-deposit ratio for six similarly situated banks (assets between \$50 and \$300 million) in the Salt Lake City-Ogden MSA was 69%. It is noted that FNB brokered \$39 million of residential real estate loans in 1997, 1998 and the first six months of 1999. FNB also sold \$8.4 million of SBA guaranteed loans on the secondary market in 1997 and 1998. If these loans were held in the bank's loan portfolio, the loan-to-deposit ratio would be much higher.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Lending in Assessment Area

FNB makes a majority of its loans within its assessment area. The bank tracks the census tract for all business loans as they comprise the bank's primary loan product. We verified the accuracy of the bank's reports. 60% of the 1,277 business loans on the bank's books as of December 31, 1998 were made in the assessment area. Many of the loans made outside of the assessment area were made in Salt Lake City where FNB is currently building a branch. Salt Lake City will be included in the assessment area when the branch opens.

Geographic Distribution of Loans

The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. We analyzed a sample of 771 business loans using the same bank prepared reports used to analyze lending inside and outside the assessment area. FNB made loans in all classes of census tracts (CTs), including a loan in the one low-income CT. The bank's lending is concentrated in Layton, its home community for 95 years. FNB has a much smaller market share in Bountiful where its branch has only been open for three years. Bountiful contains one of the three moderate-income CTs and thus the bank's overall market penetration for moderate-income CTs is lowered. FNB's market penetration in Bountiful is consistent between moderate-, middle- and upper-income CTs. The following chart compares the bank's distribution of business loan originations (number of loans) to the distribution of businesses in CTs of different income levels:

Census Tract Income Level	% of Business Loans	% of Businesses
Low Income (<50% MFI)	0%	0%
Moderate Income (50-79% MFI)	8%	12%
Middle Income (80-119% MFI)	63%	56%
Upper Income (120+% MFI)	29%	32%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Record of Complaints and Compliance with Anti-discrimination Laws

There were no complaints about the bank's CRA performance from the public since the last CRA examination.

We found no violations of the substantive provisions of anti-discrimination laws and regulations. We reviewed the bank's compliance with the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, and the Fair Housing Act.