



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 13, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Layton
Charter Number 7685

12 South Main Street
Layton, UT 84041

Office of the Comptroller of the Currency

Salt Lake City Field Office
2795 East Cottonwood Parkway Suite 390
Salt Lake City, UT 84121-7036

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.

The major factors supporting the institution's rating are as follows:

- First National Bank of Layton's (FNB) loan-to-deposit ratio is reasonable given the financial institution's size, financial condition, and the Assessment Area's (AAs) credit needs.
- A majority of the bank's loan originations are made within its AAs.
- The distribution of loans reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout its AAs.

SCOPE OF EXAMINATION

The evaluation covers the period from the date of the previous CRA Examination, February 9, 2004, through April 13, 2009. We evaluated FNB's Community Reinvestment Act (CRA) performance under the Lending Test using Small Bank CRA procedures. In evaluating the bank's lending performance we reviewed lending data for the bank's primary loan product which is small business loans. Accordingly, for both AAs (refer to the Description of Assessment Areas section below), we reviewed a sample of small business loans originated during the period of January 1, 2007 through December 31, 2008. For demographic comparisons, we used Dunn and Bradstreet data for the same period.

DESCRIPTION OF INSTITUTION

First National Bank of Layton (FNB) is a community bank headquartered in Layton, Utah. The bank is wholly-owned by FNB Bancorp, a one-bank holding company chartered and headquartered in Layton, Utah. FNB has seven offices located along the Wasatch Front from northern Davis County to southern Salt Lake County.

As of December 31, 2008, the bank had total assets of \$271 million, deposits of \$222 million, and gross loans of \$186 million. Net loans represented 67 percent of total assets. The bank provides all the traditional banking products and services to meet the needs of the communities served. The bank's principal lending focus has been small business loans.

The bank does not have any legal or financial impediments that prevent it from meeting the credit needs of the community/assessment area. The prior Community Reinvestment Act Performance Evaluation was dated February 9, 2004, and the bank's

CRA performance was rated “Satisfactory.”

Table 1

Loan Type	% by Number of Loans Originated/Purchased during evaluation period		% by Dollars of Loans Originated/Purchased during evaluation period	
	# Loans	%	\$ Amount (000s)	%
Home Loans	114	11	14,019	11
Consumer Loans	369	35	5,771	4
Business Loans	569	54	110,354	85
Farm Loans	1	0	100	0
Total	1,053	100	130,244	100

Source: Bank Reports

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

DESCRIPTION OF ASSESSMENT AREAS

The bank designated two assessment areas for CRA purposes. The bank’s AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Davis-Weber Assessment Area

The Davis-Weber AA consists of all of Weber and Davis Counties, Utah. Davis and Weber Counties are contiguous counties located inside the Ogden-Clearfield Metropolitan Statistical Area (MSA). The bank’s main office, two branch offices, the Bountiful office, and Clearfield office are all located in Davis County. FNB has a proprietary ATM at each location. While no branch locations are located in Weber County, a substantial portion of the bank’s loans are made to benefit borrowers in that area. The AA consists of 4 low-income, 17 middle-income, 48 middle-income, and 22 upper-income census tracts (CTs). According to the 2000 U. S. Census, the combined population of Weber and Davis Counties is 435,527. Approximately 16 percent of AA families are low-income, 20 percent are moderate-income, 26 percent are middle-income, and 38 percent are upper-income. Seven percent of AA households are below poverty level. The weighted average updated median family income in the Ogden-Clearfield MSA is \$62,200. The U.S. Bureau of Labor Statistics reports the unemployment rate as of February 2009, was 5.6 percent. According to Moody’s Economy.com for April 2009, the Utah recession deepened at the end of 2008 as job losses started in retail trade and employment gains slowed in education/health services. Construction, financial activities, business/professional services, and leisure/hospitality services continue to see large job losses, with no apparent slowing. The state’s housing downturn continues: Prices have fallen by 8 percent since peaking in the middle of 2007, and residential permits fell by one-half from 2007 to 2008. This is particularly critical given FNB’s lending focus. Competition from other financial institutions is strong in the AA. FNB ranks 9th out of 19 institutions in the AA with a 1.43 percent deposit market share of the FDIC-insured deposits in the MSA.

Salt Lake Assessment Area

The Salt Lake AA consists of Salt Lake County, Utah. Salt Lake County is part of the Salt Lake City, UT MSA and is contiguous to Davis County (refer to above). FNB has two locations in the AA located in downtown Salt Lake City and in Draper. FNB has a proprietary ATM at both locations. The AA consists of 5 low-income, 43 middle-income, 90 middle-income, and 55 upper-income census tracts (CTs). According to the 2000 U. S. Census, the population of Salt Lake County is 898,387. Approximately 17 percent of AA families are low-income, 20 percent are moderate-income, 25 percent are middle-income, and 38 percent are upper-income. Eight percent of AA households are below poverty level. The weighted average updated median family income in the Salt Lake City, UT MSA is \$60,100. The U.S. Bureau of Labor Statistics reports the unemployment rate as of February 2009, was 5.2 percent. According to Moody's Economy.com of April 2009, the Salt Lake City economy moved into recession in the fall as consumer- oriented industries faltered in response to falling house prices and concern about the labor market after earlier downturns in homebuilding, manufacturing and financial activities. Still, job losses are smaller than those seen nationally, and government and education/ health services employment is holding steady. The local unemployment rate has been increasing, but slowly, as the labor force contracts; the unemployment rate is far below the national average. Competition from other financial institutions is strong in the AA. FNB ranks 49th out of 61 institutions in the AA with a 0.02 percent deposit market share of the FDIC-insured deposits in the MSA.

We reviewed recent community contact interviews in connection with this examination. These individuals stated that primary credit needs in these areas are affordable housing and lending to small businesses. In general, financial institutions along the Wasatch Front are adequately meeting credit needs of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's lending level is reasonable given the financial institution's size, financial condition, and the AAs' credit needs. FNB's average quarterly loan-to-deposit ratio for all quarters since the prior CRA public evaluation dated February 9, 2004, is 86 percent, which falls within the range of similarly situated banks' loan-to-deposit ratios during the same time period. Similarly situated banks' average loan-to-deposit ratios are 94 percent and fall within a range of 84 percent on the low side and 102 percent on the high side.

Lending in Assessment Area

FNB makes a majority of its loans within its AAs. Based on our samples of 20 business

loans in each AA, FNB originates 85 percent of its loans by number and 80 percent by dollar amount within its assessment area.

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

The bank’s lending penetration to consumers in different income categories and businesses of different sizes is reasonable. The bank’s performance in both assessment areas is discussed in detail in the following sections.

Davis-Weber Assessment Area

The bank has reasonable lending penetration to borrowers with different incomes in the Davis-Weber AA.

FNB's distribution of loans to businesses of different sizes is difficult to compare because 36 percent of assessment area businesses did not report revenue size. However, the percentage of reporting businesses with revenues of \$1 million or less is 60 percent which is near that of the demographic comparator of 64 percent.

Table 2 - Borrower Distribution of Loans to Businesses in the Davis-Weber AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63.81	3.71	36.48	100%
% of Bank Loans in AA by #	60.00	40.00	0.00	100%
% of Bank Loans in AA by \$	53.97	46.03	0.00	100%

Source: 2007 Dunn and Bradstreet data. Bank data from sample of business loans originated January 1, 2007, through December 31, 2008.

Salt Lake Assessment Area

The bank has excellent lending penetration to borrowers with different incomes in the Salt Lake AA.

Again, FNB's distribution of loans to businesses of different sizes is difficult to compare because 32 percent of assessment area businesses did not report revenue size. The bank's lending to businesses with revenues of \$1 million or less is 75 percent, which substantially exceeds the 64 percent of AA businesses with revenues of \$1 million or less.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63.57	4.87	31.56	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	65.70	34.30	0.00	100%

Source: 2007 Dunn and Bradstreet data. Bank data from sample of business loans originated January 1, 2007, through December 31, 2008.

Geographic Distribution of Loans

Overall, FNB demonstrates reasonable penetration of business loans to geographies of different income levels within its AAs. The bank's performance in the Davis-Weber AA is reasonable, and performance in the Salt Lake AA is excellent. For the overall conclusion regarding FNB's geographic distribution of loans, we gave greater weight to results in the Davis-Weber AA because a greater percentage of FNB's loans are in that AA.

Davis-Weber Assessment Area

FNB's dispersion of loans among the various CTs in its AAs is reasonable.

The bank's geographic distribution of sampled business loans reflects only fair penetration in AA low- and moderate-income areas, as shown in Table 4. However, the bank's primary lending product in this AA is land development/construction loans (54 percent of gross loans as of December 31, 2007, and 35 percent of gross loans as of December 31, 2008). Most development/construction projects do not occur in low- and moderate-income CTs. With FNB's emphasis on this lending product, it is reasonable to conclude that FNB's penetration into low- and moderate-income CTs would not be substantial.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	5.58	0.00	16.95	15.00	50.86	65.00	26.61	20.00

Source: 2007 Dunn and Bradstreet data. Bank data from sample of business loans originated January 1, 2007, through December 31, 2008.

Salt Lake Assessment Area

FNB’s geographic distribution of loans in the assessment area is excellent.

The geographic distribution of business loans in the Salt Lake AA exceeds the standard for satisfactory performance. FNB’s lending in low-income CTs is near community demographics and substantially exceeds community demographics in moderate-income CTs, as shown in Table 5.

Table 5 - Geographic Distribution of Loans to Businesses in the Salt Lake AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	8.43	5.00	22.74	45.00	40.33	25.00	28.49	25.00

Responses to Complaints

FNB has not received any complaints during this evaluation period in regards to its CRA performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.