SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 10, 2013

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
Phoenix Field Office
9633 S. 48th Street, Ste. 265
Phoenix, AZ 85044

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 First National Bank of Layton's (FNB) rating are:

- The loan-to-deposit ratio is reasonable considering the institution's size, financial condition, the credit needs in the Assessment Area (AA), and the level of competition in the AA.
- The substantial majority of the bank's business loans are in the AA.
- Lending to borrowers of different income levels has reasonable penetration and lending to businesses of different sizes has excellent penetration.
- Lending to borrowers in low- and moderate-income level census tracts (CT) has reasonable dispersion and lending to businesses in low- and moderate-income level CTs has excellent dispersion.

Scope of the Examination

FNB's Community Reinvestment Act (CRA) performance was evaluated under the Small Bank criteria and therefore concluded on only the lending test. FNB's primary loan products are residential real estate loans and business loans. The evaluation period was from April 14, 2009, to March 31, 2013.

Under the lending test, we assessed the overall loan-to-deposit (LTD) ratio, the percentage of residential real estate and business loans originated in the AA, and the percentage of loans in the AA originated to borrowers and businesses of different incomes, sizes, and geographic locations.

We relied on FNB's Home Mortgage Disclosure Act Loan Application Register for our analysis of residential real estate loans. We considered all loans that were originated during the past two calendar years and current year, from January 1, 2011, to March 31, 2013. Our business loan analysis included a sample of 60 loans that were originated from June 1, 2009, to March 31, 2013. We expanded our business loan sample from 20 to 60 loans to gather more information about the bank's business lending.

Due to the census data changing in the evaluation period, we compared 2000 census data for loans originated from January 1, 2009, to December 31, 2011; and 2010 census data for loans originated from January 1, 2012, to March 31, 2013.

Description of the Institution

FNB is a $267 million community bank headquartered in Layton, Utah, just north of Salt Lake City. The bank offers traditional banking products and services and operates seven full-service branches throughout the Wasatch Front. FNB is owned by FNB Bancorp, Inc., a one-bank holding company also headquartered in Layton, Utah. As of

March 31, 2013, the net loans and leases to deposits ratio was 67.41 percent. FNB's customer base has historically been focused on small businesses and residential construction developers. However, the recent recession adversely affected small businesses along the Wasatch Front and had a detrimental effect on the bank's loan portfolio. To improve earnings, the bank's strategy changed to a focus on residential mortgage lending. This meant the bank would need to reach customers outside its AA to see the biggest impact. The bank opened several Loan Production Offices (LPO) throughout the United States. In addition to opening the LPOs, the bank continued to operate the seven full-service branches in their AA to meet the needs of the community.

The loan volume from the LPOs is apparent when comparing the number of residential real estate loans originated inside the AA to those originated outside the AA. However, as earnings improved, the bank re-focused its lending efforts, including residential real estate loans, back to the local community and their designated AA. In 2012, management began closing LPOs and as of June 10, 2013, there were five remaining LPOs, all located outside the bank's AA.

FNB's CRA performance was rated "Satisfactory" during the last evaluation period dated April 13, 2009.

Description of the Assessment Area

FNB has designated one AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income level communities.

The AA includes five contiguous counties and considers all CTs in these counties. These include Davis, Morgan, Salt Lake, Utah, and Weber counties. As of the 2000 census data, there were 16 CTs considered to be in low-income areas, 72 CTs in moderate-income areas, 179 CTs in middle-income areas, 101 CTs in upper-income areas, and three CTs with unknown income information. The 2010 census updated these as follows: 26 CTs in low-income areas, 86 CTs in moderate-income areas, 210 CTs in middle-income areas, 121 CTs in upper-income areas, and three CTs with unknown information. There were no CTs designated as distressed or underserved in either census.

According to the 2010 U.S. census, the state of Utah's population is approximately 2.8 million. Of that population, nearly 2.1 million reside in the Wasatch Front area, which is considered part of the bank's AA.

The state of Utah's unemployment rate has declined in recent years, and was at 5.8 percent at the end of 2012, compared to the national average of 7.79 percent. The top employers in the bank's AA include Hill Air Force Base, Intermountain Health Care Inc., and the local universities.

There is a considerable amount of competition, with 56 institutions in the market area. FNB had 0.06 percent, or $211 million, of the market area's deposits as of the June 30, 2012 Federal Deposit Insurance Corporation market share report. The five branches in Davis County, where the bank's headquarters is located, represent the majority of the bank's deposits.

We contacted two CRA-related community contacts during our examination. Both of the contacts stated there is a need for affordable loans; one specified the need for affordable housing, while the other specified the need for affordable small consumer loans. Both stated the current underwriting controls have been discouraging consumers to apply and obtain loans.

Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable. The quarterly average LTD ratio, calculated since the last CRA evaluation to March 31, 2013, was 66.93 percent. There are 10 institutions to consider in the bank's peer group in relation to size and assessment area credit needs. These institutions are located in FNB's market area and have assets ranging from $141 million to $389 million. The average quarterly LTD ratio for this peer group was 73.85 percent, with the averages ranging from 39.27 percent to 97.68 percent.

Lending in the Assessment Area

Overall, the substantial majority of all loan originations sampled were outside FNB's designated AA. As shown in Table 1 on the next page, 83.70 percent of all loans reviewed were outside the AA.

The substantial majority of all home loans were originated to borrowers outside the AA, but the substantial majority of business loans were originated to borrowers inside the AA. Of the residential real estate loans reviewed, only 16.60 percent of the home purchases, and 14.35 percent of the refinances, were made to borrowers inside the AA. However, 95 percent of business loans were inside the AA. Although the residential real estate loans originated outside the AA were a driving factor in this ratio, we noted that these originations did not affect the business lending. In the future, as management has closed a number of the LPOs, we would expect the volume of residential real estate loans originated outside the AA to decline.

Table 1 - Lending in the Assessment Area										
	Number of Loans					Dollars of Loans (in 000s)				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Home Purchase	122	16.60%	613	83.40%	735	26,550	18.79%	114,775	81.21%	141,325
Home Refinance	374	14.35%	2,233	85.65%	2,607	84,023	11.92%	621,087	88.08%	705,110
Home Improvement	2	100.00%	0	0%	2	3,012	100.00%	0	0%	3,012
Business Loans	57	95.00%	3	5.00%	60	18,986	96.26%	738	3.74%	19,724
Totals	555	16.30%	2,849	83.70%	3,404	132,571	15.25%	736,600	84.75%	869,171

Source: Uniform Bank Performance Report; January 1, 2011 – March 31, 2013 HMDA Data; June 1, 2009 – March 31, 2013 Business Loans Sampled

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

The bank's overall penetration of lending to borrowers, in the AA, of different income levels and sizes, is reasonable.

Residential Real Estate Loans

FNB's borrower penetration of residential real estate loans is reasonable. Table 2A compares the bank's residential real estate loans originated in 2011, to the 2000 census data. FNB's lending to low- and moderate-income level borrowers is reasonable considering the demographic data. We also noted the bank did not rely on financial information to make the credit decision on 8.70 percent of their home purchase originations and 34.39 percent of their refinancing originations.

As shown in Table 2A on the next page, FNB's performance is slightly below the demographic data for low-income borrowers with home purchase loans and refinancing loans. In 2011, FNB made 8.70 percent of home purchase loans and 4.46 percent of refinancing loans to low-income borrowers. FNB's performance is also slightly lower than demographic data for refinancing loans originated to moderate-income level borrowers, but is slightly higher for home purchases. In 2011, FNB made 23.91 percent of home purchase loans and 10.19 percent of refinancing loans to moderate-income borrowers.

FNB did not originate any home improvement loans during 2011; therefore, it is excluded Table 2A.

Table 2A - Borrower Distribution of Residential Real Estate Loans the Assessment Area										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Available	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.84%	8.70%	19.93%	23.91%	24.99%	17.39%	38.23%	41.30%	0.01%	8.70%
Refinancing	16.84%	4.46%	19.93%	10.19%	24.99%	17.83%	38.23%	33.12%	0.01%	34.39%

Source: 2000 U.S. Census Data; 2011 HMDA Data

Table 2B below is updated to reflect the 2010 census data and is compared to loans originated between January 1, 2012, and March 31, 2013. The level of home purchase loans made to low- and moderate-income level borrowers is still below the demographic data, but it increased from the previous year and remained reasonable. Additionally, 55.30 percent of refinancing loans were made without relying on borrower's income level due to the nature of the refinancing.

FNB's performance is slightly below the demographic data for low-income level borrowers for home purchases and refinances. From January 1, 2012, to March 31, 2013, FNB originated 10.53 percent of home purchase loans and 3.69 percent of refinancing loans to low-income borrowers. FNB's performance is also slightly lower than the demographic data for refinancing loans to moderate-income borrowers, but is significantly higher for home purchases. From January 1, 2012, to March 31, 2013, FNB originated 36.84 percent of home loans and 7.83 percent of refinancing loans to moderate-income borrowers.

FNB only originated two home improvement loans from January 1, 2012, to March 31, 2013; therefore, it is excluded from Table 2B.

Table 2B - Borrower Distribution of Residential Real Estate Loans in the Assessment Area										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Available	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.95%	10.53%	19.24%	36.84%	23.57%	26.32%	39.24%	26.32%	0.00%	0.00%
Refinancing	17.95%	3.69%	19.24%	7.83%	23.57%	14.29%	39.24%	18.89%	0.00%	55.30%

Source: 2010 U.S. Census Data; January 1, 2012 – March 31, 2013 HMDA Data

Business Loans

FNB's overall borrower penetration of business loans is excellent. Table 2C shows the business loans in our sample from January 1, 2009, through December 31, 2011, compared to the 2000 census data. The level of business loans made to borrowers with revenues less than $1 million exceeds demographic data. Table 2C shows that 82.86

percent of the originated business loans in our sample were made to borrowers with revenues less than $1 million.

Table 2C - Borrower Distribution of Loans to Businesses in the Assessment Area				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Business	71.16%	2.52%	26.33%	100.00%
% of Bank Loans in AA by #	82.86%	17.14%	0.00%	100.00%
% of Bank Loans in AA by $	88.46%	11.54%	0.00%	100.00%

Source: 2000 U.S. Census Data; June 1, 2009 – December 31, 2011 Business Loans Sampled

Table 2D is updated to reflect the 2010 census data and is compared to loans originated from January 1, 2012, to March 31, 2013. The bank's performance meets demographic data when considering the number of loans originated. Table 2D shows 72.73 percent of the loans in our sample were made to businesses with revenues less than $1 million. We noted that the dollar volume of loans is skewed by one $3 million loan that was originated to a large business.

Table 2D - Borrower Distribution of Loans to Businesses in the Assessment Area				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Business	73.51%	3.42%	23.07%	100.00%
% of Bank Loans in AA by #	72.73%	27.27%	0.00%	100.00%
% of Bank Loans in AA by $	56.95%	43.05%	0.00%	100.00%

Source: 2010 U.S. Census Data; January 1, 2012 – March 31, 2013 Business Loans Sampled

Geographic Distribution of Loans

The bank's overall dispersion of lending to borrowers in the AA located in different geographies is reasonable.

Residential Real Estate Loans

FNB's borrower dispersion of residential real estate loans is reasonable. Table 3A compares the bank's home loans originated in 2011, to the 2000 census data. FNB's lending to low- and moderate-income level CTs is reasonable considering the demographic data. FNB originated 4.35 percent of home purchase loans in low-income level CTs and 4.35 percent in moderate-income level CTs. Additionally, 6.37 percent of refinancing loans were made to moderate-income level borrowers.

FNB did not originate any home improvement loans in 2011; therefore, it is excluded from Table 3A.

Table 3A - Geographic Distribution of Residential Real Estate Loans in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.61%	4.35%	15.22%	4.35%	54.24%	56.62%	29.93%	34.78%
Refinancing	0.61%	0.00%	15.22%	6.37%	54.24%	57.32	29.93%	36.31%

Source: 2000 U.S. Census Data; 2011 HMDA Data

Table 3B below is updated to reflect 2010 census data and is compared to loans originated between January 1, 2012, and March 31, 2013. The level of home loans made to borrowers located in low-income level CTs remained slightly below demographic data, but still reasonable. Of the loans originated, 10.53 percent of home purchases and 8.76 percent of refinances were originated to borrowers located in moderate-income CTs.

FNB only originated two home improvement loans from January 1, 2012, to March 31, 2013; therefore, it is excluded from Table 3B.

Table 3B - Geographic Distribution of Residential Real Estate Loans in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.83%	0.00%	14.70%	10.53%	53.79%	55.26%	29.68%	34.21%
Refinancing	1.83%	0.00%	14.70%	8.76%	53.70%	54.84%	29.68%	36.41%

Source: 2010 U.S. Census data; January 1, 2012 – March 31, 2013 HMDA Data

Business Loans

FNB's borrower dispersion of business loans is excellent. Table 3C shows the bank's business loans sampled with origination dates from June 1, 2009, to March 31, 2013. The census data for geographic distribution of businesses in the AA did not change from the 2000 census to the 2010 census. Therefore, the business loan originations are not separated as they were in previous tables. As shown in Table 3C, the bank originated 14.04 percent of business loans to borrowers in low-income level CTs and 17.54 percent to borrowers located in moderate-income level CTs.

Table 3C - Geographic Distribution of Loans to Businesses in the Assessment Area										
Census Tract Income Level	Low		Moderate		Middle		Upper		N/A - Unknown	
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	% of AA Businesses	% of Number of Loans
Business Loans	4.56%	14.04%	15.50%	17.54%	46.62%	38.60%	33.31%	29.82%	0.01%	0.00%

Source: 2010 U.S. Census data (note: there was no change in the census data from 2000); June 1, 2009 – March 31, 2013 Business Loans Sampled

Responses to Complaints

No complaints have been received by the bank or the OCC relating to the bank's CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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