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Comptroller of the Currency  
Administrator of National Banks

**LARGE  
BANK**

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Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036

## **Public Disclosure**

October 26, 1998

# **Community Reinvestment Act Performance Evaluation**

**First National Bank of Maryland  
Charter Number: 1413**

**25 South Charles Street  
Baltimore, Maryland 21201**

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**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.**

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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 Maryland** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **October 26, 1998**. 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 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 C.F.R. 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.

**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.

**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.

**Census Tract** - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A census tract has defined boundaries per ten year census and an average population of 4,000.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The report includes such data as the race, gender and the income of the applicants, the amount of the loan requested, and its disposition (e.g., approved, denied, withdrawn).

**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 census tracts. 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.

**Low-Income** - Income levels that are less than 50% of the MFI.

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

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

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

**Low- to Moderate- Income (LMI)** - Income levels that are less than 80% of the MFI.

**Small Business Loans** - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

## CRA RATING

**Institution's CRA Rating:** This institution is rated **Satisfactory**

The factors supporting the bank's overall rating include:

- ▶ a good responsiveness to credit needs within the assessment area;
- ▶ a high percentage (80%) of home mortgage and small business loans made within the assessment area;
- ▶ a good geographic distribution of all loans within the assessment area;
- ▶ an excellent distribution of loans among borrowers of different income levels and to businesses of different sizes;
- ▶ a good level of community development lending activity;
- ▶ reasonable use of flexible lending practices in order to serve assessment area credit needs;
- ▶ an adequate level of investments throughout its assessment area;
- ▶ reasonable access to delivery systems for all segments of the assessment area; and
- ▶ a good level of community development services provided.

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

PERFORMANCE LEVELS	FIRST NATIONAL BANK OF MARYLAND PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
<b>Outstanding</b>			
<b>High Satisfactory</b>	<b>X</b>		<b>X</b>
<b>Low Satisfactory</b>		<b>X</b>	
<b>Needs to Improve</b>			
<b>Substantial Noncompliance</b>			

\* Note: The lending test is weighted more heavily than the investment and service tests in the overall rating.

## DESCRIPTION OF INSTITUTION

First National Bank of Maryland (FNB), headquartered in Baltimore, MD, is wholly owned by First Maryland Bancorp (the holding company), a \$17.8 billion (as of December 31, 1997) bank holding company also located in Baltimore. FNB is a full service, retail commercial bank with 147 full service branches and 193 stand alone ATMs. As of September 30, 1998, the bank had total assets of \$10.7 billion, including \$6.3 billion in gross loans (\$5.8 billion in domestic loans) and \$3 billion in investments. The loan to deposit ratio (average of all quarters since last examination) of 82%, was slightly below peer averages. The following table portrays the bank's principal loan mix.

### Domestic Loans Outstanding September 30, 1998

Loan Type	Amount (000s)	Percentage
<b>Commercial:</b>		
<b>Loans and Leases</b>	\$2,599,343	45%
<b>Real Estate</b>	\$1,237,386	21%
<b>Consumer:</b>		
<b>Residential Mortgage</b>	\$ 594,350	10%
<b>Installment</b>	\$ 993,485	17%
<b>Other</b>	\$ 400,618	7%
<b>Total Loans</b>	\$5,825,183	100%

There are no financial or legal obstacles which would impact FNB's ability to help meet its community's credit needs. Competition is provided by larger regional and multinational institutions including Crestar Bank, Nations Bank, N.A., First Union National Bank, Riggs Bank, N.A., and Mercantile Safe Deposit & Trust.

### **Sale of affiliated mortgage company operations**

On February 13, 1998, the holding company sold the operations of its residential mortgage company (First National Mortgage Corporation) which originated an average of \$600 million in loans within the bank's assessment area annually. As a result, the bank's mortgage origination volume dropped significantly during 1998. Management is in the process of rebuilding residential mortgage origination capacity through a newly-established division of the bank. The following table depicts the 1998, year to date, monthly residential mortgage origination volume of the

institution:

<b>1998 MORTGAGE ORIGINATIONS</b>	
<b>Month</b>	<b>\$ (000)</b>
January	27,710
February	6,059
March	929
April	584
May	984
June	1,497
July	749
August	6,275
September	6,722

The January results reflect the last full month of FNMC operations. Following a reorganization of mortgage operations, the purchase money mortgages are offered directly through the bank. The above table shows that originations are beginning to increase. Our evaluation of bank performance takes into account the temporary decrease in mortgage lending levels caused by the corporate reorganization.

The holding company also owns First Maryland Mortgage Corporation (an affiliate of the bank), which originates multi-family residential mortgages and sells them to the Federal National Mortgage Association under its Delegated Underwriting and Servicing (DUS) Program. Most of the multi-family residential lending within the holding company family is conducted through First Maryland Mortgage Corporation.

## DESCRIPTION OF ASSESSMENT AREA

FNB’s one assessment area consists of all Maryland counties except Allegheny and Garrett; Washington, D.C.; Virginia’s Arlington, Fairfax, and Loudon counties, and cities of Fairfax, Alexandria and Falls Church. The assessment area has a total of 1,620 census tracts, with a total population of 6.5 million.

<b>ASSESSMENT AREA DEMOGRAPHICS</b>			
<b>Designation</b>	<b>Number of Census Tracts</b>	<b>% of Total Tracts</b>	<b>% of Households in Census Tracts</b>
<b>Low</b>	123	8%	6%
<b>Moderate</b>	332	20%	21%
<b>Middle</b>	700	43%	47%
<b>Upper</b>	397	25%	26%
<b>N/A</b>	68	4%	0%
<b>Total</b>	1,620	100%	100%

The cities of Baltimore, MD and Washington, D.C. are the major urban areas and have the largest concentration of low- to moderate-income census tracts within the assessment area. Due to the breadth and diversity of geographies in the assessment area, specific information on demographics are discussed separately in *Appendix B* of this Evaluation.

The assessment area meets regulatory guidelines and does not arbitrarily exclude any low to moderate (LMI) areas. LMI is referred to throughout this document to describe low- to moderate-income individuals and/or census tracts.

Affordable housing (1 to 4 family) as well as small business loans were identified as primary credit needs throughout the assessment area by community contacts and bank management. Contacts also noted the need for micro-lending and borrower counseling.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### SCOPE OF EXAMINATION

This examination covered a time period from January 1, 1997 to October 26, 1998 for all HMDA, small business and community development loans. Small farm loans represent less than one percent of the dollar volume of the total of small business and small farm originations for the period under review. Therefore, the term “small business” will be used to include “small business and small farm” loan totals. Qualified investments purchased and services provided over this time period were also reviewed. Please refer to *Appendix A* of this Performance Evaluation for further details.

The current CRA regulations require that we draw separate conclusions on a bank’s performance in MSA’s where it has branches. Our discussion of the bank’s performance in the Washington, Baltimore, Wilmington-Newark, and Hagerstown MSA’s and all other Non-MSA areas can be found in *Appendix B* of this Performance Evaluation.

This bank was reviewed in conjunction with two affiliate mortgage companies. First Maryland Mortgage Company (FMMC) and First National Mortgage Company (FNMC) are discussed under the *Description of Institution* of this evaluation. HMDA reportable loans originated during the evaluation period by FMMC and between January, 1997 and February, 1998 by FNMC were counted as loans originated by FNB for the purposes of this Performance Evaluation.

### LENDING TEST

#### Lending Activity

Lending activity during the evaluation period reflects a good responsiveness to the identified credit needs of the assessment area. Our community contacts and management discussions disclosed the primary credit needs as affordable housing and small business loans. The bank ranked third in market share for HMDA-reportable loans originated in its assessment area in 1997. Lending volume for HMDA-reportable loans, especially home purchase loans in 1998, was adversely affected by the sale of the affiliate mortgage company operations. (Refer to *Description of the Institution* for further discussion.) The marketing focus for 1998 calls for more emphasis on home equity (refinances and home improvement) lending and small business loans. Lending results for small business and small farm loans were very good within the assessment area. The bank was the leading financial institution headquartered in the assessment area in small business lending in 1997. The bank makes reasonable use of flexible lending practices in order to serve assessment area credit needs. The distribution of assessment area originations, by loan type, since the previous examination is as follows:

<b>ASSESSMENT AREA ORIGINATIONS DURING THE EVALUATION PERIOD</b>				
<b>Loan Type</b>	<b># Loans</b>	<b>% of Total</b>	<b>\$(000's)</b>	<b>% of Total</b>
<b>Home Mortgages (HMDA) (See next table)</b>	14,559	84%	1,186,081	76%
<b>Small Business</b>	2,742	15%	332,855	21%
<b>Community Development</b>	25	1%	51,460	3%
<b>Total</b>	17,326	100%	1,570,396	100%

The next table shows all HMDA reportable loan originations in the assessment area during the evaluation period. Lending results in 1998 reflect the effects of the sale of the FNMC operation.

<b>TOTAL HMDA LOAN ORIGINATIONS IN ASSESSMENT AREA BY PURPOSE</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>LOAN PURPOSE</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b>Loan Mix (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Home Purchase</b>	439 9%	50,638 14%	4,012 43%	491,160 59%	53%	58%
<b>Refinance</b>	3,509 67%	244,750 70%	3,565 38%	242,715 29%	40%	40%
<b>Multifamily</b>	7 -	29,940 9%	17 -	70,634 8%	-	1%
<b>Home Improvement</b>	1,266 24%	24,824 7%	1,744 19%	31,420 4%	7%	1%
<b>Total</b>	5,221 100%	350,152 100%	9,338 100%	835,929 100%	100%	100%

### Assessment Area Concentration

The bank demonstrated a good record of loan originations within its assessment area. A substantial majority of the HMDA-reportable loans were originated in the assessment area during the evaluation period. The bank performance in small business lending is strong.

<b>ASSESSMENT AREA CONCENTRATION DURING THE EVALUATION PERIOD</b>				
<b>Loan Type</b>	<b># Loans originated in the Assessment Area</b>	<b>% of Total originated in the Assessment Area</b>	<b>\$(000's) of loans originated in the Assessment Area</b>	<b>% of Total originated in the Assessment Area</b>
<b>Home Mortgages (HMDA)</b>	14,559	76%	1,186,081	68%
<b>Small Business</b>	2,742	91%	332,855	87%
<b>Community Development</b>	25	100%	51,460	100%
<b>Total</b>	17,326	77%	1,570,396	72%

Additionally, 795 home mortgage loans totaling \$78,913 thousand were originated in the assessment area of the affiliated Dauphin Bank. If we include these mortgages as assessment area loans above, the Home Mortgage (HMDA) concentration increases to 80% and 73%, respectively.

### **Geographic Distribution of Lending**

*HMDA-Reportable Loans*

The bank has a good record of loan originations in LMI census tracts. Moderate- income tract originations in 1997 exceeded the performance of peer lenders in the assessment area. The table below illustrates the bank’s lending pattern during the evaluation period.

<b>TOTAL HMDA LOAN ORIGINATIONS GEODISTRIBUTION IN ASSESSMENT AREA</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Distribution of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 8%</b>	63 1%	2,384 1%	150 2%	9,383 1%	2%	1%
<b>Moderate 20%</b>	569 11%	37,540 11%	1,311 14%	99,845 12%	12%	8%
<b>Middle 43%</b>	3,022 58%	184,909 53%	5,345 57%	442,266 53%	49%	42%
<b>Upper 25%</b>	1,563 30%	125,068 35%	2,525 27%	283,958 34%	37%	49%
<b>N.A. 4%</b>	4 0.08%	251 0.07%	7 0.07%	477 0.06%	0.23%	0.22%
<b>Total</b>	5,221 100%	350,152 100%	9,338 100%	835,929 100%	100%	100%

*Small Business Lending*

The bank demonstrated a strong distribution of small business loans throughout its assessment area. As illustrated in the table below, the bank's performance in low- and moderate-income census tracts exceeded that of other lenders in its assessment area.

<b>TOTAL SMALL BUSINESS LOAN ORIGINATIONS GEODISTRIBUTION IN ASSESSMENT AREA</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b>Distribution (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 8%</b>	72 6%	10,652 7%	98 6%	13,550 7%	4%	4%
<b>Moderate 20%</b>	202 17%	23,469 17%	240 15%	27,484 14%	13%	13%
<b>Middle 43%</b>	556 48%	66,865 48%	780 49%	94,037 49%	49%	47%
<b>Upper 25%</b>	330 28%	38,779 27%	451 29%	56,614 29%	34%	35%
<b>N.A. 4%</b>	2 1%	56 1%	11 1%	1,349 1%	1%	1%
<b>Total</b>	1,162 100%	139,821 100%	1,580 100%	193,034 100%	100%	100%

### **Borrowers' Profile**

The bank has an excellent record of responding to the credit needs of borrowers of different

income levels. This is readily apparent upon review of the bank's record originating HMDA-reportable loans to low- and moderate-income borrowers.

*HMDA Loans*

The bank's performance in lending to borrowers of different incomes is excellent. Loan originations in 1997 to low- and moderate-income borrowers exceeded the family income distribution demographics and the performance of peer financial institutions in the assessment area. The following table illustrates the bank's performance.

<b>TOTAL HMDA LOAN ORIGINATIONS IN 1997 BORROWERS' PROFILE IN ASSESSMENT AREA</b>									
<b>Family Income Distribution %</b>	<b>Home Purchases</b>		<b>Refinance</b>		<b>Home Improvement</b>		<b>Total</b>		<b>Other Area Financial Institutions #%</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
<b>Low 18%</b>	746	19%	306	9%	233	13%	1,285	14%	8%
<b>Moderate 18%</b>	1,388	35%	632	18%	389	22%	2,409	26%	17%
<b>Middle 24%</b>	1,008	25%	1,014	28%	502	29%	2,524	27%	21%
<b>Upper 40%</b>	855	21%	1,404	39%	600	35%	2,859	31%	29%
<b>N.A. 0%</b>	15	0%	209	6%	20	1%	244	2%	25%
<b>Total 100%</b>	4,012	100%	3,565	100%	1,744	100%	9,321	100%	100%

*Small Business Lending*

The bank has a good record of originating small business loans among businesses with revenue of less than \$1 million. The table below reveals that the bank's small business loan originations

among borrowers with revenues of less than \$1 million is consistent with that of other lenders in its assessment area.

<b>SMALL BUSINESS LOAN ORIGINATIONS BY REVENUE SIZE IN ASSESSMENT AREA</b>						
<b>1998 (Jan - Sep)</b>			<b>1997</b>		<b>1997</b>	
<b>Revenue Size</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b>Origination Profile (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Less than or Equal to \$1 Million</b>	482 41%	36,509 26%	557 35%	49,991 26%	40%	35%
<b>Greater than \$1 Million</b>	651 56%	99,818 71%	974 62%	137,916 71%	60%	65%
<b>Unknown Revenue</b>	29 3%	3,494 3%	49 3%	5,127 3%		
<b>Total 100%</b>	1,162 100%	139,821 100%	1,580 100%	193,034 100%	100%	100%

The bank has a good record for originating small business loans of various sizes. The bank lags peer institutions in small business lending in original amounts under \$100 thousand. The bank exceeded peer in the other two categories. Refer to the table below for details of small business loans by origination size.

<b>SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN ASSESSMENT AREA</b>			
	<b>1998 (Jan-Sept)</b>	<b>1997</b>	<b>1997</b>

<b>SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN ASSESSMENT AREA</b>						
<b>Loan Size (000's)</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Origination Profile (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Less than \$100</b>	820 71%	36,913 26%	1,070 68%	43,193 22%	88%	31%
<b>\$100-\$250</b>	199 17%	34,517 25%	305 19%	53,368 28%	7%	19%
<b>\$250-\$1,000</b>	143 12%	68,391 49%	205 13%	96,473 50%	5%	50%
<b>Total 100%</b>	1,162	139,821	1,580	193,034	100%	100%

## **Community Development Lending Activities**

FNB originated a good level of community development loans during the evaluation period. Community development loans are defined as loans that (1) have a primary purpose of community development, as defined at 12 CFR 25.12(h), (2) have not been reported or collected by the bank or an affiliate for consideration as home mortgage, small business, small farm or consumer loans, unless they are multifamily dwelling loans, and (3) benefit the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area. During the evaluation period, the bank originated (and funded) 25 community development loans and lines of credit totaling \$52.5 million. (Note: this include 2 loans closed in late 1996 that were not included in the previous public evaluation.) Nine of the these loans (\$29.6 million) were refinancings of affordable housing projects. The bank committed a total of \$80.6 million in community development lending during the evaluation period. The likelihood of the unfunded commitments being utilized is considered good.

Examples of the community development loans originated during the evaluation period include:

- The bank approved a \$27 million line of credit in July 1997 to a nonprofit affordable housing developer headquartered in Columbia, MD. The line of credit is used for interim financing necessary between closing loans with developers of low income housing and permanent financing. To date, five loans have been granted under the line of credit totaling \$5.3 million for various affordable housing projects in the assessment area. The projects will result in the construction of 197 affordable housing units for LMI senior citizens. (This project is also discussed under the *Investment Test*, below)
- The bank approved three loans totaling \$7.7 million in February 1998 relating to a leveraged buy out of a company in Ridgely, Maryland. These loans permitted ownership to remain in local hands and helped retain approximately 600 low income paying jobs in the assessment area. The loans are 80% guaranteed by the United States Department of Agriculture's Rural Economic Community Development Loan Program.
- The bank approved a \$1.2 million loan to a company for the acquisition and renovation of this 80 unit apartment complex in June 1997. The apartment complex provides affordable rental housing to LMI families in a moderate income tract.

## INVESTMENT TEST

The level of qualified investments is adequate. Qualifying investments funded during the evaluation period totaled \$8.6 million, and are illustrated in the following table. In addition, \$30 million in investment commitments have a reasonable probability of eventual funding. These investments exhibit good responsiveness to credit needs identified in community contacts and reflect investment opportunities available for the bank.

<b>QUALIFIED INVESTMENTS (in 000s)</b>			
<b>Purpose</b>	<b>1997</b>	<b>Year-to-Date 1998</b>	<b>TOTAL</b>
<b>Affordable Housing and Economic Development</b>	3,543	3,342	6,885
<b>Grants and Donations to Affordable Housing/Economic Development Organizations</b>	100	550	650
<b>Grants and Donations to Community Service Organizations</b>	752	267	1,019
<b>Total</b>	4,395	4,159	8,554

In addition to the above, FNB holds in its portfolio approximately \$5 million in eight qualified investments extended before the current examination. These investments represent affordable housing and economic development for low- and moderate-income areas within the bank's assessment area.

CRA investments are centered in affordable housing and commercial projects for economic development, stabilization and revitalization of low- and moderate-income areas. In December 1997, FNB committed \$20 million, later increased to \$30 million, to a single investor fund to acquire, construct, rehabilitate, and operate low-income housing tax credit properties throughout the assessment area. To date, funds extended total only \$30 thousand. However, the likelihood of full funding is reasonable based on progress to date. Funds extended to date for this development total \$5.3 million under the bridge loans discussed in the *Community Development Loan* section of this evaluation. Other investment initiatives include:

- A 1998, \$2.7 million commitment to fund an affordable elderly housing facility in a moderate-income census tract in Baltimore County. Funds extended to date approximate \$1.5 million.

- FNB committed \$250 thousand to a non-profit organization for economic development. The bank funds the program at \$50 thousand each year for five years to purchase and renovate a shopping center in a low-income area of Baltimore. Funds disbursed to-date total \$100 thousand. Once completed, this development will help stabilize the area and provide jobs to low- and moderate-income individuals.
- The bank contributed \$300 thousand in August 1998 for rehabilitation of a commercial building in southeast Baltimore. The building is situated in a moderate-income census tract and the improvements will also help to stabilize the area.

Investment initiatives in the Washington DC MSA are further discussed in the *Appendix B* section of this evaluation.

The bank also made numerous grants and donations during the review period which totaled approximately \$1 million. These funds were directed to nonprofit organizations whose primary missions include affordable housing, economic revitalization and development, as well as organizations that provide community services to LMI individuals. None of the qualified investments were considered innovative or complex. Other private investors routinely provide these same kind of investments.

## SERVICE TEST

Delivery systems are accessible to essentially all portions of the institution's assessment area. The bank's record of opening and closing offices has not adversely affected the accessibility to bank services. Branch hours are convenient to most portions of the assessment area with evening and Saturday hours offered at branches located in census tracts of all income levels. Three branches, including one located in a moderate-income census tract, are open on Sundays.

FNB operates 147 full service offices, one stand alone drive-up branch, and 193 stand alone ATMs throughout its assessment area. Stand alone ATMs are located in easily accessible locations, such as gas stations, fast food restaurants, and supermarkets. ATMs are also located in 138 branches, and drive-in service is available at 87 of the full service branches. A summary of branch and ATM locations by MSA, and county is contained in *Appendix C* of this document. Included in these figures are eleven supermarket branches located throughout the assessment area.

<b>Distribution of Delivery Systems (Branches and Remote ATM Facilities)</b>			
<b>Census Tract Designation</b>	<b>Branches # / %</b>	<b>Non-Branch ATM Facilities # / %</b>	<b>Census Tracts in the Assessment Area # / %</b>
Low	7 / 5%	12 / 6%	123 / 8%
Moderate	31* / 21%	45 / 23%	332 / 20%
Middle	72 / 49%	98 / 51%	700 / 43%
Upper	36 / 24%	37 / 19%	397 / 25%
Not Classified	2 / 1%	1 / 1%	68 / 4%
<b>Total</b>	<b>148 / 100%</b>	<b>193 / 100%</b>	<b>1,620 / 100%</b>

\* Includes one stand alone drive-in facility.

The distribution of branch and ATM locations is reasonable and serves all four census tract classes within the assessment area. Consistent with the assessment area demographics, the majority of branches are located in middle- to upper-income census tracts. The low- and moderate-income area branches are proportionally distributed among the most populous regions (Baltimore, Washington, D.C. and Hagerstown MSAs), with one also located on Maryland's Eastern Shore. Branch locations are not as readily accessible to individuals in rural settings as they are in and around the more populous towns and urban areas.

FNB opened nine new branches during the review period, with two opened in moderate-income census tracts. The bank closed 22 branches during the same period for economic and branch consolidation reasons, with two located in low-, three in moderate-, twelve in middle-, and five in upper-income census tracts. The closings did not adversely affect accessibility to LMI individuals.

Four of the branches located in LMI census tracts do not primarily serve LMI residents. Two branches located in moderate census tracts in the City of Baltimore are in the city's principal business district and primarily serve the local businesses and their employees. One Cockeysville, MD mall branch located in a low-income census tract primarily serves retail businesses. One branch location in a moderate income tract in Washington, D.C. is located in a building occupied by a trade union and primarily serves union members.

Conversely, other branches located in middle-income census tracts provide significant services to individuals in LMI census tracts based on their proximity. The bank's new Good Hope Branch located in Washington, D.C.'s Anacostia neighborhood is located in a shopping center on the border of a moderate-income census tract, and is surrounded by LMI census tracts. As a result, 52% of the branch's accounts belong to individuals residing in LMI census tracts. Similarly, the bank's Rising Sun branch is in a middle-income census tract. However, 35% of the households in a neighboring moderate income CT have some banking relationship with FNB. Finally, four Salisbury, MD area branches located in middle-income census tracts combine to have a 47% penetration in neighboring moderate-income census tracts.

The bank provides services to accommodate all portions of the assessment area. All branch locations offer a common set of traditional financial services to its consumer and business customers. Deposit services include the bank's Basic Checking product which requires no minimum balance and allows limited check writing for a nominal monthly fee; and Super Checking 50 for customer over age 50 which charges no monthly fee for accounts with balances over \$100. The bank also offers a Direct Deposit checking product with no minimum balance requirements, no monthly fee, and unlimited check writing. In addition, the bank allows recipients of funds under the Federal Government's Electronic Benefits Transfer program to use its ATMs for free to access their benefits. Transactions under the program average 12,000/month.

In addition to branch operations, FNB offers telephone banking services through PhoneFirst®, which provides customers with access to loan and deposit services, and accepts product applications through customer representatives 24 hours/day. Management estimates that 15 thousand loan applications a year are received through the PhoneFirst® system. The bank also provides telephone access in more than 140 languages through its AT&T Language Line Service. Bank-by-mail services allow existing customers to make their account deposits without traveling to the bank. Management reports that 250 to 500 deposits are made daily through this service.

## **Community Development Services**

FNB provides community development services to a variety of organizations and initiatives within the assessment area. The focus of the bank's efforts has been in small business and affordable housing lending. Community development services in the form of technical, financial and administrative expertise has enhanced numerous housing, small business development and economic revitalization efforts within the assessment area. The following is a listing of some of the bank's involvement in community development services.

### *Affordable Housing*

- Neighborhood Housing Services of Baltimore, Inc. - Promotes home ownership in declining neighborhoods in the City of Baltimore. A FNB Vice President serves on its Board and chairs its Loan Committee.
- Anne Arundel Affordable Housing Coalition - Promotes the development, financing, construction and preservation of affordable housing for LMI individuals. A FNB Vice President serves on its Board.
- Dorchester Community Development Corporation - Promotes affordable housing, counseling and services for LMI individuals and families including Head Start. A FNB Officer serves as Chairman of the Board.
- St. Ambrose Housing Aid Center - Provides LMI housing and other social services in Baltimore City. A FNB Vice President serves as Chairperson of the Board.

### *Small Business Development*

- Baltimore Development Corporation Technical Development Center - Devises and implements economic development strategies for the City of Baltimore, including small business incubator groups. A FNB Vice President is a Board member and Advisory Committee member for two incubator groups.
- Baltimore County Loan Review Committee - Provides direct loan funding to businesses in Baltimore County through a bank consortium. A FNB Senior Vice President serves as a Board member.
- City of Salisbury Revolving Loan Fund - Promotes and finances small businesses in downtown Salisbury. A FNB Officer provides technical assistance for the fund.
- Harford County Loan Fund - Provides funding for small business activity in the county. A FNB Vice President serves on the Loan Committee.

### *Economic Development*

- Latino Economic Development Corporation (Washington, D.C.) - Promotes economic development, small business assistance and housing in the Adams Morgan neighborhood. A FNB Senior Vice President serves as Chairman of the Board and on several committees.
- Prince George's County Financial Services Corporation - Provides financing assistance to economically disadvantaged women and minority businesses through a bank consortium. A FNB Vice President serves on the Board.
- Salisbury Wicomico Economic Development Committee - Uses loan funds to promote economic development, attract new businesses and provide affordable housing in the community. A FNB officer serves as a Board member.
- Talbot County Economic Development - Promotes economic development county wide. A FNB Vice President serves as a Board member.

FNB has sponsored and/or participated in forty educational workshops focussing on small business and affordable/first time home ownership during the review period. Bank involvement includes officers serving as speakers on small business and SBA minority financing; panelists at small business fairs; participants in multilingual home-buying workshops; and hosts for home-buyers seminars. Specific examples include participation in:

- ACORN Bank Fair (small business and housing workshop)
- Housing Counseling Services Home ownership Training Courses
- Talbot County Chamber of Commerce (small business development symposium)
- Senior Citizen Group (information on Federal Government's impending direct deposit requirement for all government payments)
- People's Expo (mortgages, personal finance and small business information)
- Anacostia Economic Development "Loan Day"

## **FAIR LENDING EXAMINATION**

A fair lending review conducted earlier this year did not identify any violations of the various anti-discrimination laws and regulations. FNB has an effective system in place to comply with fair lending regulations. Training has been effective in introducing fair lending topics bankwide.

**APPENDIX A**

**SCOPE OF EXAMINATION**

<b>TIME PERIOD REVIEWED</b>		January 1, 1997 to October 26, 1998	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
First National Bank of Maryland Baltimore, MD		Mortgage, Home Improvement, Community Development and Small Business Loans	
<b>AFFILIATES</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
First Maryland Mortgage Corp First National Mortgage Corp	Subsidiary of Holding Company Subsidiary of Holding Company (Operations sold in February, 1998)	Multi-family housing loans Residential mortgage lending	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Branches Visited</b>	<b>Other Information</b>
Baltimore MSA # 0720 (includes the following counties in Maryland: Anne Arundel; Baltimore; Carroll; Hartford; Howard; Queen Anne; and, Baltimore City)	On-Site	Main Office	Not applicable
Hagerstown MSA #3180 (Washington County, Maryland)	Off-Site		
Washington DC MSA #8840(includes the District of Columbia; Calvert, Charles, Frederick, Montgomery, and Prince George's Counties in Maryland; Arlington, Fairfax, and Loudon Counties in Virginia; and, the Virginia Cities of Alexandria, Fairfax and Falls Church)	Off-Site	Metro Center	
Wilmington/Newark MSA #9160 (Cecil County, Maryland)	Off-Site		
Maryland Eastern Shore Non-MSA Areas (includes the following counties in Maryland: Caroline, Dorchester, Kent, St. Mary's, Somerset, Talbot, Wicomico, and Worcester.	Off-Site		

## APPENDIX B

### METROPOLITAN STATISTICAL AREAS Multistate MSA Rating

**CRA Rating for Washington MSA 8840, including parts of the States of Maryland, Virginia and the District of Columbia is Satisfactory**

**The lending test is rated: High Satisfactory**

**The investment test is rated: Low Satisfactory**

**The service test is rated: High Satisfactory**

Summarize the major factors supporting the institution's multistate metropolitan area rating.

- ▶ a good responsiveness to credit needs within the assessment area;
- ▶ a good geographic distribution of all loans within the assessment area;
- ▶ a good distribution of loans among borrowers of different income levels and to businesses of different sizes;
- ▶ an adequate level of community development lending activity;
- ▶ an adequate level of investments throughout its assessment area;
- ▶ reasonable access to delivery systems for all segments of the assessment area; and
- ▶ a good level of community development services provided.

#### **Scope of Examination**

The CRA evaluation of the Washington DC multi-state MSA covered a time period from January 1, 1997 to October 26, 1998 for all HMDA, small business and community development loans. Qualified investments purchased and services provided over this time period were also reviewed. Please refer to *Appendix A* of this Performance Evaluation for further details.

#### **Description of Institution's Operations in the Washington DC MSA**

The Washington, D.C. assessment area comprises: Washington, D.C.; Maryland's Montgomery, Prince George's, Calvert, Charles and Frederick Counties; Virginia's Arlington, Fairfax and Loudon counties and cities of Alexandria, Fairfax and Falls Church. The limited presence in Virginia is due to FNB's branch locations in that state. The assessment area does not arbitrarily exclude any low- to moderate- income (LMI) individuals and/or census tracts.

<b>Washington, D.C. Assessment Area Demographics</b>			
<b>Designation</b>	<b>Number of Census Tracts</b>	<b>% of Total Tracts</b>	<b>% of Households in Census Tracts</b>
<b>Low</b>	61	7%	5%
<b>Moderate</b>	191	21%	23%
<b>Middle</b>	365	41%	45%
<b>Upper</b>	232	26%	27%
<b>N/A</b>	50	5%	0%
<b>Total</b>	899	100%	100%

The assessment area's population is 3.6 million, with 28% of the households residing in LMI tracts (see above chart). The median housing value for the entire assessment area is \$187,474. Ninety-four percent of the housing stock is occupied, with owner-occupied housing representing 56% and rental accounting for 38%. Unemployment is approximately 2%. The weighted average of census median family income is \$56,840.

The District of Columbia has the highest concentration of low- to moderate-income CTs (61%) and households (61%), with an unemployment rate of 4%. Additionally, 14% of the city's households have incomes below the poverty level.

FNB's operations within the MSA are more fully described in the discussion of the Service Test, below.

### **Conclusions about Performance Tests in the Washington DC MSA**

#### **LENDING TEST**

##### **Lending Activity**

Lending activity demonstrates a good responsiveness to the identified credit needs of the assessment area. Geographic distribution of HMDA related loans is good, and there is a good distribution of loans among customers of different income levels and businesses of different sizes. FNB originated an adequate level of community development loans in this area. The distribution of assessment area originations, since the previous examination, follows:

<b>ASSESSMENT AREA ORIGINATIONS DURING THE EVALUATION PERIOD</b>				
<b>Loan Type</b>	<b># Loans</b>	<b>% of Total</b>	<b>\$(000's)</b>	<b>% of Total</b>
<b>Home Mortgages (HMDA)</b>	4,897	84%	490,520	80%
<b>Small Business</b>	900	16%	118,415	19%
<b>Community Development</b>	2	0%	2,600	1%
<b>Total</b>	5,799	100%	611,535	100%

The table below shows that the bank demonstrated a strong response to the need for residential mortgage products in the assessment area. The sharp decline in home purchase lending in 1998 reflect the effects of the sale of the FNMC operations.

<b>TOTAL HMDA LOAN ORIGINATIONS IN MSA 8840 BY PURPOSE</b>						
<b>LOAN PURPOSE</b>	<b>1998 (Jan-Sep)</b>		<b>1997</b>		<b>1997</b>	
	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b>Loan Mix (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Home Purchase</b>	176 13%	24,483 22%	1,996 57%	273,107 72%	54%	58%
<b>Refinance</b>	869 62%	73,929 67%	986 28%	85,419 22%	40%	40%
<b>Multifamily</b>	1 0%	5,400 5%	1 0%	10,500 3%	0%	1%
<b>Home Improvement</b>	354 25%	7,235 6%	514 15%	10,447 3%	6%	1%
<b>Total</b>	1,400 100%	111,047 100%	3,497 100%	379,473 100%	100%	100%

## Geographic Distribution of Loans

The tables which follow demonstrate a good responsiveness to the credit needs of the area.

### *HMDA Loans*

The bank demonstrated a good performance in lending to all segments of its assessment area. The chart below reveals that the bank performed slightly ahead of peer lenders in low- and moderate-income census tracts.

<b>TOTAL HMDA LOAN ORIGINATIONS-GEODISTRIBUTION MSA #8840</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000s) % Total</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b>Geodistribution of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 7%</b>	11 1%	584 1%	64 2%	5,201 1%	1%	1%
<b>Moderate 21%</b>	194 14%	17,728 16%	581 17%	52,183 14%	13%	8%
<b>Middle 41%</b>	874 62%	58,240 52%	2,069 59%	201,343 53%	48%	41%
<b>Upper 26%</b>	321 23%	34,495 31%	783 22%	120,746 32%	38%	50%
<b>N.A. 6%</b>	0 0%	0 0%	0 0%	0 0%	0%	0%
<b>Total</b>	1,400 100%	111,047 100%	3,497 100%	379,473 100%	100%	100%

*Small Business Loans*

The bank has a good record of originating small business loans throughout the assessment area. Loan originations in low- and moderate-income neighborhoods exceeds peer lenders.

<b>TOTAL SMALL BUSINESS LOAN ORIGINATIONS GEODISTRIBUTION IN MSA #8840</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Geodistribution (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 7%</b>	26 7%	3,833 7%	19 4%	1,248	3%	3%
<b>Moderate 21%</b>	65 16%	9,240 17%	66 13%	10,123	17%	18%
<b>Middle 41%</b>	202 51%	27,291 51%	299 60%	35,825	49%	46%
<b>Upper 26%</b>	105 26%	13,373 25%	113 23%	16,823	30%	32%
<b>N.A. 6%</b>	1 0%	15 0%	4 0%	644	1%	1%
<b>Total 100%</b>	399 100%	53,752 100%	501 100%	64,663 100%	100%	100%

**Borrowers' Profile**

The following tables demonstrate good responsiveness to the credit needs of borrowers of different income levels and businesses of different sizes based on revenue.

### *HMDA Loans*

Loan originations to low- and moderate-income borrowers exceeds the percentage of families within the assessment area in this income category.

<b>TOTAL HMDA LOAN ORIGINATIONS-BORROWERS' PROFILE MSA #8840</b>									
	<b>1998 (Jan-Sept)</b>				<b>1997</b>				
<b>Family Income</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Total</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Total</b>	<b>Other Area Financial Institutions</b>
<b>%</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b>%</b>
<b>Low 17%</b>	36 21%	87 10%	44 12%	167 12%	409 21%	102 10%	65 13%	576 16%	8%
<b>Moderate 18%</b>	63 36%	190 22%	82 23%	335 24%	744 37%	218 22%	135 26%	1,097 31%	17%
<b>Middle 24%</b>	50 28%	246 28%	134 38%	430 31%	512 26%	303 31%	155 30%	970 28%	21%
<b>Upper 41%</b>	25 14%	294 34%	91 26%	410 29%	323 16%	274 28%	154 30%	751 21%	29%
<b>N.A. 0%</b>	2 1%	52 6%	3 1%	57 4%	8 0%	89 9%	5 1%	102 3%	25%
<b>Total 100%</b>	176 100%	869 100%	354 100%	1,399 100%	1,996 100%	986 100%	514 100%	3,496 100%	100%

### *Small Business Lending*

The bank has a good record of originating small business loans to businesses with revenues less than \$1 million. Year-to-date figures for 1998 show that the bank is exceeding peer lenders in originating loans to borrowers with revenues less than \$1 million.

The bank also has a good record of originating small (between \$150-\$250 thousand) loans within the assessment area. Strong competition is received from financial institutions in the assessment area which have micro loan programs.

SMALL BUSINESS AND SMALL LOAN ORIGINATIONS BY REVENUE SIZE IN MSA #8840						
1998 (Jan-Sept)			1997		1997	
Revenue Size	# Loans % Total	\$ Loans % Total	# Loans % Total	\$ Loans % Total	Origination Profile (%) of Other Area Financial Institutions	
					#	\$
Less than or Equal to \$1 Million	169 43%	16,494 31%	175 35%	17,513 27%	36%	32%
Greater than \$1 Million	222 55%	35,799 67%	318 65%	46,583 72%	64%	68%
Unknown Revenue	8 2%	1,459 2%	8 0%	567 1%	N.A.	N.A.
<b>Total 100%</b>	<b>399 100%</b>	<b>53,752 100%</b>	<b>501 100%</b>	<b>64,663 100%</b>	<b>100%</b>	<b>100%</b>

SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN MSA #8840						
	1998 (Jan-Sept)		1997		1997	
Loan Size (000's)	# Loans % Total	\$(000's) % Total	# Loans % Total	\$(000's) % Total	Origination Profile (%) of Other Area Financial Institutions	
					#	\$
Less than \$100	269 67%	12,770 23%	324 64%	12,882 20%	89%	30%
\$100-\$250	72 18%	12,131 23%	109 22%	19,377 30%	5%	18%
\$250-\$1,000	58 15%	28,851 54%	73 14%	32,404 50%	6%	52%
<b>Total 100%</b>	<b>399 100%</b>	<b>53,752 100%</b>	<b>506 100%</b>	<b>64,663 100%</b>	<b>100%</b>	<b>100%</b>

### **Community Development Lending Activities**

The level of community development lending in the Washington MSA is adequate. The bank originated two loans and lines of credits totaling \$2.6 million during the evaluation period. The bank also committed a total of \$4.4 million for community development lending during the evaluation period. A description of the loans follows:

- The bank increased a company's line of credit by \$2.5 million which was utilized for the acquisition of a 266 unit apartment complex in Fairfax County, Virginia that qualifies for low income housing tax credits.
- The bank granted a \$100 thousand line of credit to a nonprofit organization which provides technical assistance and low income housing financing in Washington, D.C. Draws are used for interim financing of affordable housing until permanent takeout is arranged.

## INVESTMENT TEST

The bank has a reasonable amount of qualified investments in the Washington, D.C. MSA as detailed in the table below.

<b>QUALIFIED INVESTMENTS (in 000s): Washington, D.C. MSA 8840</b>			
<b>Purpose</b>	<b>1997</b>	<b>Year-to-Date 1998</b>	<b>TOTAL</b>
<b>Affordable Housing and Economic Development</b>	3,050	1,050	4,100
<b>Grants and Donations to Affordable Housing/Economic Development</b>	250	50	300
<b>Grants and Donations to Community Service Organizations</b>	95	39	134
<b>TOTAL</b>	<b>3,395</b>	<b>1,139</b>	<b>4,534</b>

As summarized in the table above, there is approximately \$4.1 million representing qualified investments in affordable housing/economic development loans in the Washington, D.C. MSA. The remaining investments include grants and donations to organizations providing affordable housing and community services for low- and moderate-income individuals. Examples of investment initiatives are:

- The funding of a \$3.25 million investment for the acquisition of a residential apartment development which will be rented as low-income housing.
- The bank invested \$461 thousand which was used to acquire a residential apartment complex which will also be used for low-income rental housing.
- Also in August, FNB purchased \$250 thousand of common stock in a community development financial institution in Washington, D.C. whose purpose is to provide loans promoting development in low- and moderate-income neighborhoods.

## SERVICE TEST

Consistent with the bank's overall performance, delivery systems are reasonably accessible to all portions of the assessment area. The bank's record of opening and closing branches has not adversely affected the availability of bank services.

The bank operates 53 full service branches, one stand alone drive-up and 62 stand alone ATMs throughout the assessment area. Of the branches, four are located in supermarkets, 47 have ATMs and 30 have drive-up facilities attached. FNB also has one stand alone drive-in facility in Montgomery County, MD. (See *Appendix C* for branch locations by county.)

<b>Distribution of Delivery Systems (Branch and Remote ATM Facilities)</b>			
<b>Census Tract Designation</b>	<b>Branches # / %</b>	<b>Non-Branch ATM Facilities # / %</b>	<b>Census Tracts in the Assessment Area # / %</b>
<b>Low</b>	2 / 4%	3 / 5%	61 / 7%
<b>Moderate</b>	14* / 24%	20 / 32%	191 / 21%
<b>Middle</b>	25 / 47%	29 / 47%	365 / 41%
<b>Upper</b>	11 / 21%	9 / 15%	232 / 26%
<b>Not Classified</b>	2 / 4%	1 / 1%	50 / 5%
<b>Total</b>	54* / 100%	62 / 100%	899 / 100%

\* Includes one stand alone drive-in facility.

The distribution of branch and ATM locations are reasonable and serve all four census tract classes within the assessment area. Consistent with demographics, the majority of branches are located in middle- to upper- income CTs. Branches in low- to moderate- income census tracts are located throughout the City of Washington and the assessment area. Branch hours are reasonably convenient to most of the assessment area with evening and Saturday hours, and one branch in an upper-income CT open on Sundays.

The bank's record of opening and closing of branches since the prior review did not adversely impact accessibility to bank services. The bank opened four new branches in the Washington, D.C. assessment area since the last review. One branch each was opened in moderate-, and middle-, and two were opened in upper-income CTs. During the same period, the bank closed

eight branches in the assessment area, including two located in moderate-, five in middle-, and one in an upper-income CTs. Of the two located in moderate CTs, one located in Washington's primary business district was closed due to branch consolidation and the other was closed for economic reasons. However, a new branch opened nearby.

All branches provide a common set of traditional financial services to its consumer and business customers. As noted in this Performance Evaluation's main text, deposit services include Basic Checking and Super Checking 50 products and a Direct Deposit checking product with nominal and no monthly fees.

The bank's alternative service delivery system is the PhoneFirst® telephone banking, which provides information on deposit and loan accounts, and accepts loan applications through customer service representatives 24 hours/day. Multilingual access is provided through the AT&T Language Line Service which translates conversations in 140 languages.

### **Community Development Services**

FNB provides community development services to a variety of organizations and initiatives within the assessment area. In addition to those listed in the main text of this Performance Evaluation, the bank is involved in organizations including:

#### *Affordable Housing/ LMI Services*

- Arlington Partnership for Affordable Housing - Purchases and operates multi-family rental properties for LMI families in Arlington, VA. A FNB Vice President serves as a Board member.
- The Family Place - Offers health and comprehensive social services to over 500 LMI expectant parents and young families in Washington, D.C.'s Shaw and Mount Pleasant neighborhoods. A FNB Vice President services as a Board member.

#### *Small Business Development*

- Prince George's County Bankers Task Force - Develops monitoring and technical assistance programs for small businesses. A FNB Senior Vice President serves as a Board member.
- SBA Lenders Quality Circle - Develops strategy to increase SBA lending in the Washington, D.C. metro area. A FNB Vice President serves as committee chair.
- Loudon County Small Business Development Corporation - Counsels existing small business and start-up companies. A FNB Vice President provides technical expertise.

- Montgomery County Small Business Loan Fund - Provides lends ranging in size from \$500 to \$50,000 to high risk small businesses through a bank consortium. A FNB Vice President serves as a rotating Board member.

#### *Economic Development*

- Frederick County - Alliance Business Loan Program - Funds capital and expansion projects for businesses resulting in long-term new employment. A FNB Vice President serves as a Board member.
- Greater Washington Iberro American Chamber of Commerce - Latino organization that promotes economic development in Washington, D.C. A FNB Vice President serves as a Board member.

Of the forty educational workshops described in the main text of this Performance Evaluation, 22 were in the Washington, D.C. MSA. In addition to those discussed previously, examples in this portion of the assessment area include:

- EZ Loan Fair - which provided information on tax exempt financing for new construction and rehabilitation projects in Washington, D.C.
- Friendship Community Development Corporation of Southeast Washington - which conducted bank financing classes for small businesses.
- Montgomery Chamber of Commerce - which sponsored a small business seminar.

## METROPOLITAN STATISTICAL AREAS

### CONCLUSION WITH RESPECT TO PERFORMANCE TESTS IN PORTIONS OF THE BALTIMORE MSA (MSA 0720)

#### ASSESSMENT AREA - BALTIMORE MSA (0720)

FNB’s assessment area encompasses the entire Baltimore MSA: the counties of Baltimore, Howard, Anne Arundel, Carroll, Harford and Queen Anne’s and the City of Baltimore. This portion of the assessment area has 588 census tracts, meets regulatory guidelines and does not arbitrarily exclude any LMI areas.

<b>Assessment Area Demographics</b>			
<b>Designation</b>	<b>Number of Census Tracts</b>	<b>% of Total Tracts</b>	<b>% of Households in Census Tracts</b>
<b>Low</b>	59	10%	7%
<b>Moderate</b>	121	21%	19%
<b>Middle</b>	253	43%	47%
<b>Upper</b>	142	24%	27%
<b>N/A</b>	13	2%	0%
<b>Total</b>	588	100%	100%

Approximately 2.4 million residents populate the Baltimore MSA. As shown above, 26% of the households in this part of the assessment area reside in LMI tracts. The median housing value is \$104,495 with a median housing age of 37 years. Ninety-four percent of the housing stock is occupied, with owner-occupied accounting for 60% of the stock and rental representing 34%. The weighted average median family income is \$43,964; unemployment is approximately 3%.

The City of Baltimore is the largest municipality in the MSA, with 20% of the households living below the poverty level. The City also has the highest concentration of LMI CTs (71%) and LMI households (67%). Forty-four percent of households receive social security or some form of public assistance, which is approximately double the percentage for all other portions of the Baltimore, MSA and the bank’s overall assessment area.

## LENDING TEST

### Lending Activity

The bank has a good record of originating loans within the MSA. As noted in the tables below, the bank is a very active small business lender. FNB is the leading commercial bank headquartered in the MSA in the origination of HMDA-reportable loans. Refinancing and home improvement products account for the majority of mortgage loan originations. The distribution of assessment area originations, since the previous examination, follows:

ASSESSMENT AREA ORIGINATIONS DURING THE EVALUATION PERIOD				
Loan Type	# Loans	% of Total	\$(000's)	% of Total
Home Mortgages (HMDA)	7,110	81%	537,754	71%
Small Business	1,599	18%	182,645	24%
Community Development	17	1%	41,600	5%
<b>Total</b>	<b>8,726</b>	<b>100%</b>	<b>761,999</b>	<b>100%</b>

FNB has traditionally been a strong mortgage lender in the Baltimore MSA. The sharp decline in home purchase lending in 1998 reflect to effects of the sale of the FNMC operations.

TOTAL HMDA LOAN ORIGINATIONS IN MSA 0720 BY PURPOSE						
LOAN PURPOSE	1998 (Jan-Sept)		1997		1997	
	# Loans % Total	\$(000's) % Total	# Loans % Total	\$(000's) % Total	Loan Mix (%) of Other Area Financial Institutions	
					#	\$
Home Purchase	212 8%	21,725 12%	1,703 38%	184,054 51%	52%	57%
Refinance	1,811 68%	116,656 67%	1,799 40%	111,698 31%	41%	41%
Multifamily	6 0%	24,540 14%	14 1%	50,304 14%	0%	1%
Home Improvement	654 24%	12,688 7%	911 21%	16,089 4%	7%	1%
<b>Total</b>	<b>2,683 100%</b>	<b>175,609 100%</b>	<b>4,427 100%</b>	<b>362,145 100%</b>	<b>100%</b>	<b>100%</b>

## Geographic Distribution of Loans

The tables which follow demonstrate a good responsiveness to the credit needs of the area.

### *HMDA Loans*

The bank demonstrated a reasonable performance in lending to all segments of its assessment area. The chart below reveals that the bank performed at peer levels in low- and moderate-income census tracts.

<b>TOTAL HMDA LOAN ORIGINATIONS-GEODISTRIBUTION MSA #0720</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000s) % Total</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b>Geodistribution of Other Area Financial Institutions # \$</b>	
<b>Low 10%</b>	49 2%	1,739 1%	80 2%	3,784 1%	3%	1%
<b>Moderate 21%</b>	307 11%	16,541 9%	617 14%	42,674 12%	12%	7%
<b>Middle 43%</b>	1,310 49%	80,932 46%	2,285 52%	175,083 48%	46%	40%
<b>Upper 24%</b>	1,017 38%	76,397 44%	1,444 33%	140,574 39%	38%	51%
<b>N.A. 2%</b>	0 0%	0 0%	1 0%	30 0%	1%	1%
<b>Total 100%</b>	2,683 100%	175,609 100%	4,427 100%	362,145 100%	100%	100%

### *Small Business Loans*

The bank has a good record of originating small business loans throughout the assessment area. As noted in the table below, its record in low- and moderate-income census tracts exceeds that of peer lenders in the area.

<b>TOTAL SMALL BUSINESS LOAN ORIGINATIONS GEODISTRIBUTION IN MSA #0720</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Geodistribution (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 10%</b>	41 6%	6,486 8%	72 8%	11,477 11%	4%	5%
<b>Moderate 21%</b>	127 19%	13,747 18%	159 17%	15,897 15%	12%	14%
<b>Middle 43%</b>	299 45%	32,748 43%	379 41%	42,283 40%	45%	42%
<b>Upper 24%</b>	203 30%	23,315 31%	312 34%	36,146 34%	39%	39%
<b>N.A. 2%</b>	1 0%	41 0%	6 0%	505 0%	0%	0%
<b>Total 100%</b>	671 100%	76,337 100%	928 100%	106,308 100%	100%	100%

## **Borrowers' Profile**

The following tables demonstrate good responsiveness to the credit needs of borrowers of different income levels and businesses of different sizes based on revenue.

*HMDA Loans*

Loan originations to low- and moderate-income borrowers exceeds the percentage of families within the assessment area in these income categories.

<b>TOTAL HMDA LOAN ORIGINATIONS-BORROWERS' PROFILE MSA #0720</b>							
	<b>1998 (Jan-Sept)</b>			<b>1997</b>			
<b>Family Income Distribution %</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Total</b>
	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>
<b>Low 7%</b>	52 25%	138 8%	85 13%	320 19%	159 9%	132 15%	886 12%
<b>Moderate 19%</b>	78 37%	324 18%	128 20%	574 34%	292 16%	182 20%	1,578 22%
<b>Middle 47%</b>	33 16%	477 26%	161 25%	409 24%	480 27%	255 28%	1,815 26%
<b>Upper 27%</b>	47 22%	803 44%	263 40%	393 23%	761 42%	327 36%	2,594 37%
<b>N.A.</b>	2 0%	69 4%	17 2%	7 0%	107 6%	15 1%	217 3%
<b>Total 100%</b>	212 100%	1,811 100%	654 100%	1,703 100%	1,799 100%	911 100%	7,090 100%

*Small Business Lending*

The bank has a reasonable record of originating small business loans to businesses with revenues less than \$1 million. The bank also has a good record of originating small (less than \$250 thousand) loans within the assessment area.

<b>SMALL BUSINESS AND SMALL LOAN ORIGINATIONS BY REVENUE SIZE IN MSA #0720</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Revenue Size</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b>Origination Profile (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Less than or Equal to \$1 Million</b>	253 37%	16,991 22%	310 33%	24,246 23%	42%	40%
<b>Greater than \$1 Million</b>	403 60%	57,823 76%	618 67%	82,062 77%	58%	60%
<b>Unknown Revenue</b>	15 3%	1,523 2%	N.A.	N.A.	0%	0%
<b>Total 100%</b>	671 100%	76,337 100%	928 100%	106,308 100%	100%	100%

<b>SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN MSA #0720</b>						
	<b>1998 (Jan-Sept)</b>		<b>1997</b>		<b>1997</b>	
<b>Loan Size (000's)</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Origination Profile (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Less than \$100</b>	480 72%	21,342 28%	648 70%	26,838 25%	90%	32%
<b>\$100-\$250</b>	116 17%	20,719 27%	168 18%	28,933 27%	5%	20%
<b>\$250-\$1,000</b>	75 11%	34,276 45%	112 12%	50,537 48%	5%	48%
<b>Total 100%</b>	671 100%	76,337 100%	928 100%	106,308 100%	100%	100%

### **Community Development Lending Activities**

The level of community development lending in the Baltimore MSA is good. FNB originated 17

community development loans and lines of credit totaling \$41.6 million in the Baltimore MSA. Overall, the bank committed \$67.9 million in community development loans in this MSA during the evaluation period.

## **INVESTMENT TEST**

Qualified investment levels in the Baltimore MSA is consistent with overall institutional performance. During this evaluation period, the bank funded \$2.6 million in investments in this MSA. Given area opportunities and local competition, this level is reasonable.

## **SERVICE TEST**

Consistent with overall performance, FNB's delivery systems are accessible to essentially all portions of the bank's assessment area within MSA 0720. FNB operates 73 branches and 114 stand alone ATMs throughout the MSA. All branches have ATMs and 40 have drive-in facilities attached. (See *Appendix C* for branch and ATM locations by county.) Alternative delivery systems, as described earlier in this Performance Evaluation, are also available in this assessment area.

Branch openings and closings during the review period do not adversely affect accessibility to bank services. Nine branches were closed and four were opened since the last review. Distribution of closed branches by CT income type were: one each in low- and moderate-, three in middle-, and four in upper-income CTs. Branches opened were located in moderate- (one), middle- (two), and upper- (one) income CTs. The branch closed in the low-income CT was located in the bank's downtown Baltimore operations center and primarily serviced bank employees. Three remaining branches are located within a few blocks of the closed branch. The branch closed in the Harford County moderate-income CT was replaced by one opened approximately one-half mile away.

## **Community Development Services**

FNB's community development efforts in the MSA 0720 are extensive due to the location of the bank's headquarters in the City of Baltimore. Baltimore has the highest concentration of LMI CTs. Therefore, much of the bank's community development efforts are focussed in the city. Bank personnel are active in affordable housing and small business development organizations similar to those detailed in the main text of this Performance Evaluation. In addition, bank personnel participated in 24 events in Baltimore and its surrounding counties which promoted home ownership or small business development through speaking, hosting or providing information on bank financing.

## **METROPOLITAN STATISTICAL AREAS CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE HAGERSTOWN MSA (MSA 3180)**

**ASSESSMENT AREA - HAGERSTOWN MSA (3180)**

The bank’s assessment area encompasses all of the Hagerstown, MD MSA, which consists of Washington County, MD. The assessment area does not arbitrarily exclude any LMI individuals and/or CTs.

<b>Hagerstown, MD MSA Demographics</b>			
<b>Designation</b>	<b>Number of Census Tracts</b>	<b>% of Total Tracts</b>	<b>% of Households in Census Tracts</b>
<b>Low</b>	1	3%	2%
<b>Moderate</b>	6	21%	20%
<b>Middle</b>	17	59%	60%
<b>Upper</b>	4	14%	18%
<b>N/A</b>	1	3%	0%
<b>Total</b>	29	100%	100%

The MSA’s population is 121,393, with 22% of the households residing in LMI tracts (see above chart). The median housing value for the entire assessment area is \$79,467. Ninety-four percent of the housing stock is occupied, with owner-occupied housing representing 60% and rental accounting for 34%. Unemployment is approximately 2%. The weighted average of census median family income is \$35,078.

**LENDING TEST**

Our conclusions on MSA performance take into account the relatively small size of this area, and the fact that one or two loans can have a dramatic effect on the percentages presented below.

**Lending Activity**

The bank has an adequate record of originating loans within the assessment area. While the bank is primarily a mortgage originator in the assessment area, it also has a good record of originating small business loans in low- and moderate-income census tracts. The chart below shows the bank’s loan distribution within the assessment area.

<b>ASSESSMENT AREA ORIGINATIONS DURING THE EVALUATION PERIOD</b>				
<b>Loan Type</b>	<b># Loans</b>	<b>% of Total</b>	<b>\$(000's)</b>	<b>% of Total</b>

<b>ASSESSMENT AREA ORIGINATIONS DURING THE EVALUATION PERIOD</b>				
<b>Home Mortgages (HMDA)</b>	811	94%	43,328	92%
<b>Small Business</b>	49	6%	3,782	8%
<b>Community Development</b>	0	0%	0	0%
<b>Total</b>	860	100%	47,110	100%

During the evaluation period, MSA HMDA lending has been focused on refinances. This business was not adversely affected by the FNMC operations sale in 1998.

<b>TOTAL HMDA LOAN ORIGINATIONS IN MSA #3180 BY PURPOSE</b>						
<b>LOAN PURPOSE</b>	<b>1998 (Jan-Sept)</b>		<b>1997</b>		<b>1997</b>	
	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Loan Mix (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Home Purchase</b>	10 3%	597 3%	34 8%	3,468 15%	47%	53%
<b>Refinance</b>	296 82%	18,017 92%	323 71%	18,548 78%	44%	43%
<b>Multifamily</b>	0 0%	0 0%	0 0%	0 0%	0%	2%
<b>Home Improvement</b>	53 15%	915 5%	95 21%	1,783 7%	9%	2%
<b>Total</b>	359 100%	19,529 100%	452 100%	23,799 100%	100%	100%

### **Geographic Distribution of Loans**

The following tables demonstrate an adequate response to the credit needs of the assessment area.

*HMDA Loans*

The bank's loan origination record in low- and moderate-income census tracts is fair. Performance in these census tracts lags that of peer lenders in the assessment area.

<b>TOTAL HMDA LOAN ORIGINATIONS-GEODISTRIBUTION MSA #3180</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000s) % Total</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b>Geodistribution of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 3%</b>	3 1%	61 0%	2 0%	218 1%	1%	0%
<b>Moderate 21%</b>	17 5%	802 4%	34 8%	1,151 5%	12%	8%
<b>Middle 59%</b>	257 72%	14,218 73%	332 73%	17,283 72%	63%	64%
<b>Upper 14%</b>	82 23%	4,448 23%	84 19%	5,147 22%	24%	28%
<b>N.A. 3%</b>	0 0%	0 0%	0 0%	0 0%	0%	0%
<b>Total</b>	359 100%	19,529 100%	452 100%	23,799 100%	100%	100%

*Small Business Loans*

The bank has a good record of origination small business loans in low- and moderate-income

census tracts. As noted in the chart below, the bank out performed peer lenders in these census tracts.

<b>TOTAL SMALL BUSINESS LOAN ORIGINATIONS GEODISTRIBUTION IN MSA #3180</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Geodistribution (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 3%</b>	3 10%	257 17%	5 25%	766 32%	71 7%	4,696 6%
<b>Moderate 21%</b>	6 20%	288 19%	3 15%	55 2%	131 12%	4,727 6%
<b>Middle 59%</b>	13 43%	678 46%	5 25%	420 18%	651 61%	50,389 64%
<b>Upper 14%</b>	7 27%	188 18%	7 35%	1,130 48%	209 20%	19,306 24%
<b>N.A. 3%</b>	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
<b>Total 100%</b>	29 100%	1,411 100%	20 100%	2,371 100%	1,062 100%	79,118 100%

### **Borrowers' Profile**

The following tables demonstrate reasonable responsiveness to the credit needs of borrowers of

different income levels.

*HMDA Loans*

Loan originations to low- and moderate-income borrowers approximate the percentage of families within the assessment area in these income categories.

<b>TOTAL HMDA LOAN ORIGINATIONS-BORROWERS' PROFILE MSA #3180</b>							
	<b>1998 (Jan-Sept)</b>			<b>1997</b>			
<b>Family Income Distribution %</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Total</b>
	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>
<b>Low 2%</b>	1 10%	6 2%	6 12%	3 9%	17 5%	9 10%	42 5%
<b>Moderate 19%</b>	6 60%	38 13%	8 16%	7 21%	43 13%	18 19%	120 15%
<b>Middle 60%</b>	1 10%	88 30%	15 28%	8 24%	92 29%	26 27%	230 28%
<b>Upper 18%</b>	1 10%	159 54%	23 43%	16 46%	169 53%	42 44%	410 51%
<b>N.A. 0%</b>	1 10%	5 1%	1 1%	0 0%	2 0%	0 0%	9 1%
<b>Total 100%</b>	10 100%	296 100%	53 100%	34 100%	323 100%	95 100%	811

*Small Business Loans*

The bank has a good record of lending to businesses of various sizes and originating small (less

than \$250 thousand) business loans. As seen in the chart below, the bank exceeded the performances of peer lenders in both of these categories in 1998.

<b>SMALL BUSINESS AND SMALL LOAN ORIGINATIONS BY REVENUE SIZE IN MSA #3180</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Revenue Size</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b>Origination Profile (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Less than or Equal to \$1 Million</b>	21 74%	862 63%	11 55%	836 35%	572 54%	41,264 52%
<b>Greater than \$1 Million</b>	7 23%	349 24%	9 45%	1,535 65%	490 46%	37,854 48%
<b>Unknown</b>	1 3%	200 13%	N.A.	N.A.	N.A.	N.A.
<b>Total 100%</b>	29 100%	1,411 100%	20 100%	2,371 100%	1,062 100%	79,118 100%

<b>SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN MSA #3180</b>						
	<b>1998 (Jan-Sept)</b>		<b>1997</b>		<b>1997</b>	
<b>Loan Size (000's)</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Origination Profile (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Less than \$100</b>	26 90%	939 68%	14 70%	514 22%	889 84%	20,716 26%
<b>\$100-\$250</b>	3 10%	472 32%	3 15%	634 27%	85 8%	14,303 18%
<b>\$250-\$1,000</b>	0 0%	0 0%	3 15%	1,223 51%	88 8%	44,099 56%
<b>Total 100%</b>	29 100%	1,411 100%	20 100%	2,371 100%	1,062 100%	79,118 100%

### **Community Development Lending Activities**

There were no community development loans made in the Hagerstown MSA during the evaluation period.

## **INVESTMENT TEST**

Qualified investments in the Hagerstown MSA are virtually nonexistent. As a result, FNB's performance in this MSA is significantly worse than the bank's overall performance under this test. Investments in this MSA totaled \$8 thousand during the evaluation period.

## **SERVICE TEST**

The bank service's are more accessible to all segments of the MSA's population than the bank's overall performance. Three (43%) of the bank's seven branch locations are situated in LMI census tracts compared to 22% of the households located in those tracts (see above). Six of the branches have drive-in facilities and all have ATMs attached. The bank also has one stand alone ATM. (See *Appendix C* for branch and ATM locations by county.) The bank offers evening hours at all branches and Saturday hours at five. No branches were opened or closed in this MSA since the last review.

All alternative delivery systems and products described in this Performance Evaluation's main text are available to residents of this county.

## **Community Development Services**

The bank is less active in community development services in Washington County than in the overall assessment area. The bank's involvement is limited to three groups: Food Resources of Washington County, Inc., Hagerstown Goodwill and the Hancock Development Corporation. A FNB Officer serves as a Treasurer and a member of the Executive and Finance Committees of the latter. The bank did not participate in any lending or educational workshops in the county during the review period.

**METROPOLITAN STATISTICAL AREAS  
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE  
WILMINGTON - NEWARK MSA (MSA 9160)**

**ASSESSMENT AREA - CECIL COUNTY, MD MSA 9160**

FNB's assessment area includes Cecil County, MD, which is part of the Wilmington-Newark, DE MSA (9160). The assessment area does not arbitrarily exclude LMI individuals and/or CTs.

<b>Cecil County, MD Demographics</b>			
<b>Designation</b>	<b>Number of Census Tracts</b>	<b>% of Total Tracts</b>	<b>% of Households in Census Tracts</b>
<b>Low</b>	0	0%	0%
<b>Moderate</b>	2	13%	15%
<b>Middle</b>	12	80%	81%
<b>Upper</b>	1	7%	4%
<b>N/A</b>	0	0%	0%
<b>Total</b>	15	100%	100%

The assessment area has a population 71,347, with 15% of the households residing in LMI tracts (see above chart). The median housing value for the entire assessment area is \$99,800. Eighty-nine percent of the housing stock is occupied, with owner-occupied housing representing 67% and rental accounting for 22%. Unemployment is approximately 2%. The weighted average of census median family income is \$40,291.

## LENDING TEST

Our conclusions on MSA performance take into account the relatively small size of this area, and the fact that one or two loans can have a dramatic effect on the percentages presented below.

### Lending Activity

The bank has an adequate record of originating loans within the assessment area. The bank has two branches located in Cecil County, the only county in this assessment area.

ASSESSMENT AREA ORIGINATIONS DURING THE EVALUATION PERIOD				
Loan Type	# Loans	% of Total	\$(000's)	% of Total
Home Mortgages (HMDA)	222	97%	9,033	92%
Small Business	6	3%	834	8%
Community Development	0	0%	0	0%
<b>Total</b>	<b>228</b>	<b>100%</b>	<b>9,867</b>	<b>100%</b>

During the evaluation period, MSA HMDA lending has been focused on refinancing and home improvement lending. This business was not adversely affected by the FNMC operations sale in 1998.

TOTAL HMDA LOAN ORIGINATIONS IN MSA 9160 BY PURPOSE						
LOAN PURPOSE	1998 (Jan-Sept)		1997		1997	
	# Loans % Total	\$ (000's) % Total	# Loans % Total	\$ (000's) % Total	Loan Mix (%) of Other Area Financial Institutions #	\$
Home Purchase	0 0%	0 0%	7 5%	663 12%	45%	56%
Refinance	51 58%	2,968 83%	77 58%	4,147 76%	35%	38%
Multifamily	0 0%	0 0%	0 0%	0 0%	2%	2%
Home Improvement	37 42%	598 17%	50 37%	657 12%	18%	4%
<b>Total</b>	<b>88 100%</b>	<b>3,566 100%</b>	<b>134 100%</b>	<b>5,467 100%</b>	<b>100%</b>	<b>100%</b>

## Geographic Distribution of Loans

The tables which follow demonstrate a good responsiveness to the credit needs of the area.

### *HMDA Loans*

Lending patterns within the assessment is consistent with the demographics and that of peer lenders.

<b>TOTAL HMDA LOAN ORIGINATIONS-GEODISTRIBUTION MSA 9160</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000s) % Total</b>	<b># Loans % Total</b>	<b>\$ Loans % Total</b>	<b>Geodistribution of Other Area Financial Institutions # \$</b>	
<b>Low 0%</b>	0 0%	0 0%	0 0%	0 0%	0%	0%
<b>Moderate 13%</b>	10 11%	378 11%	30 22%	1,349 25%	10%	9%
<b>Middle 80%</b>	78 89%	3,188 89%	104 78%	4,118 75%	85%	86%
<b>Upper 7%</b>	0 0%	0 0%	0 0%	0 0%	5%	5%
<b>Total 100%</b>	88 100%	3,566 100%	134 100%	5,467 100%	100%	100%

### *Small Business Loans*

Small business lending within the assessment area is reasonable. There are only 2 moderate income census tracts.

<b>TOTAL SMALL BUSINESS LOAN ORIGINATIONS GEODISTRIBUTION IN MSA 9160</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Geodistribution (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low 0%</b>	0 0%	0 0%	0 0%	0 0%	0%	0%
<b>Moderate 13%</b>	0 0%	0 0%	0 0%	0 0%	17%	17%
<b>Middle 80%</b>	5 100%	817 100%	1 100%	17 100%	80%	79%
<b>Upper 7%</b>	0 0%	0 0%	0 0%	0 0%	3%	4%
<b>Total 100%</b>	5 100%	817 100%	1 100%	17 100%	100%	100%

**Borrowers' Profile**

The following tables demonstrate good responsiveness to the credit needs of borrowers of different income levels.

*HMDA Loans*

Loan originations to low- and moderate-income borrowers is good. Loans originated to low- and moderate-income borrowers exceeds the percentage of such families within the assessment area.

<b>TOTAL HMDA LOAN ORIGINATIONS-BORROWERS' PROFILE MSA 9160</b>							
	<b>1998 (Jan-Sept)</b>			<b>1997</b>			
<b>Family Income Distribution %</b>	<b>Home Purchase # %</b>	<b>Refi's # %</b>	<b>HI # %</b>	<b>Home Purchase # %</b>	<b>Refi's # %</b>	<b>HI # %</b>	<b>Total # %</b>
<b>Low 0%</b>	0 0%	2 4%	3 8%	0 0%	5 7%	6 12%	16 7%
<b>Moderate 15%</b>	0 0%	14 27%	12 32%	2 29%	21 27%	17 34%	66 30%
<b>Middle 81%</b>	0 0%	27 53%	14 38%	3 42%	27 35%	18 36%	89 40%
<b>Upper 4%</b>	0 0%	8 16%	8 22%	2 29%	23 30%	9 18%	50 23%
<b>N.A.</b>	0 0%	0 0%	0 0%	0 0%	1 1%	0 0%	1 0%
<b>Total 100%</b>	0 0%	51 100%	37 100%	7 100%	77 100%	50 100%	222 100%

*Small Business Lending*

Four of the five small business loan originations were to businesses with revenues less than \$1 million. The four loans had origination amounts less than \$100 thousand.

SMALL BUSINESS LOAN ORIGINATIONS BY REVENUE SIZE IN MSA 3180						
1998 (Jan-Sept)			1997		1997	
Revenue Size	# Loans % Total	\$ Loans % Total	# Loans % Total	\$ Loans % Total	Origination Profile (%) of Other Area Financial Institutions	
					#	\$
Less than or Equal to \$1 Million	4 80%	192 24%	1 100%	17 100%	68%	61%
Greater than \$1 Million	1 20%	625 76%	0 0%	0 0%	N.A.	N.A.
Unknown Revenue	0 0%	0 0%	0 0%	0 0%	N.A.	N.A.
<b>Total 100%</b>	<b>5 100%</b>	<b>817 100%</b>	<b>1 100%</b>	<b>17 100%</b>	<b>N.A.</b>	<b>N.A.</b>

SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN MSA 3180						
	1998 (Jan-Sept)		1997		1997	
Loan Size (000's)	# Loans % Total	\$ (000's) % Total	# Loans % Total	\$ (000's) % Total	Origination Profile (%) of Other Area Financial Institutions	
					#	\$
Less than \$100	4 80%	192 24%	1 100%	17 100%	87%	37%
\$100-\$250	0 0%	0 0%	0 0%	0 0%	9%	29%
\$250-\$1,000	1 20%	625 76%	0 0%	0 0%	4%	34%
<b>Total 100%</b>	<b>5 100%</b>	<b>817 100%</b>	<b>1 100%</b>	<b>17 100%</b>	<b>100%</b>	<b>100%</b>

### Community Development Lending Activities

There were no community development loans made in Cecil County during the evaluation period.

## **INVESTMENT TEST**

Qualified investment opportunities in Cecil County are limited. As a result, FNB's performance in this MSA is significantly worse than the bank's overall performance under this test. FNB has approximately \$32 thousand in qualified investments in Cecil County.

## **SERVICE TEST**

Compared with the bank's overall performance, delivery systems in Cecil County provide more limited accessibility to bank services. The bank operates two branches in Cecil County, with both located in the areas of highest population - Rising Sun and Elkton. (See *Appendix C* for branch and ATM locations by county.) Neither branch is located in an LMI census tract. However, 35% of all households located in one of the two moderate-income CTs in the county have some account relationship with FNB through its Rising Sun branch. That branch is located in an adjacent middle-income CT. While residents generally have limited direct access to services due to the few branches located in the county, they do have access to the alternative delivery systems discussed in the main text of this Performance Evaluation. Branch hours are convenient with evening and Saturday hours. One branch also has Sunday hours.

The bank's record of opening and closing branches does not negatively affect accessibility to services. One branch in a middle-income census tract was closed since our last review, with one new branch opened approximately one-half mile away in middle-income CT with greater visibility and traffic.

## **Community Development Services**

Community development service performance in this assessment area is significantly worse than in its overall bank performance. The bank does not participate in any community development activities in Cecil County.

## NON-METROPOLITAN STATEWIDE AREAS

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA COUNTIES IN MARYLAND (ST. MARY’S, KENT, CAROLINE, TALBOT, DORCHESTER, WICOMICO, SOMERSET, WORCESTER)

#### Description of Institution’s Operations in Maryland Eastern Shore:

FNB’s assessment area includes all counties on Maryland’s Eastern Shore and the sole southernmost Maryland county not included in an MSA. Counties were included in the assessment area primarily based on branches and ATMs located in them. No branches or ATMs are located in one county (Kent), but all surrounding counties have such facilities. The assessment area does not arbitrarily exclude any LMI area.

<b>Non-MSA Maryland Counties Demographics</b>			
<b>Designation</b>	<b>Number of Census Tracts</b>	<b>% of Total Tracts</b>	<b>% of Households in Census Tracts</b>
<b>Low</b>	2	2%	0%
<b>Moderate</b>	12	13%	12%
<b>Middle</b>	53	60%	66%
<b>Upper</b>	18	20%	22%
<b>N/A</b>	4	5%	0%
<b>Total</b>	89	100%	100%

The eight non-MSA counties in the assessment area have an aggregate population of 314,443. Most of the region is agricultural and rural, with small towns scattered throughout the counties. Employment is also provided by Chesapeake Bay fishing. Ocean City, Maryland’s beach vacation destination is located in this region as well. The median housing value for the region is \$96,982. Seventy-four percent of the housing stock is occupied, with owner-occupied housing representing 51% and rental accounting for 23%. Unemployment is approximately 2%. The weighted average of census median family income is \$35,180.

FNB’s operations within the Eastern Shore are more fully described in the discussion of the Service Test, below.

#### Conclusions about Performance Tests in Maryland Eastern Shore:

## LENDING TEST

### Lending Activity

The bank has a satisfactory record of originating loans within the assessment area. Refinances and home improvement loans represent the majority of HMDA originations.

ASSESSMENT AREA ORIGINATIONS DURING THE EVALUATION PERIOD				
Loan Type	# Loans	% of Total	\$(000's)	% of Total
Home Mortgages (HMDA)	1,520	89%	105,516	75%
Small Business	188	11%	27,179	19%
Community Development	4	0%	8,500	6%
<b>Total</b>	<b>1,712</b>	<b>100%</b>	<b>141,195</b>	<b>100%</b>

The table below reflects the bank's focus on refinancing and home improvement products. The bank's originations of these products exceeds the percentages of originations by peer lenders in the assessment area.

TOTAL HMDA LOAN ORIGINATIONS IN NON-MSA BY PURPOSE						
LOAN PURPOSE	1998 (Jan-Sept)		1997		1997	
	# Loans % Total	\$ (000's) % Total	# Loans % Total	\$ (000's) % Total	Loan Mix (%) of Other Area Financial Institutions #	\$
Home Purchase	41 6%	3,833 10%	272 33%	29,868 46%	54%	58%
Refinance	483 70%	33,250 82%	380 46%	22,903 35%	41%	41%
Multifamily	0 0%	0 0%	2 0%	9,830 15%	0%	0%
Home Improvement	168 24%	3,388 8%	174 21%	2,444 4%	5%	1%
<b>Total</b>	<b>692 100%</b>	<b>40,471 100%</b>	<b>828 100%</b>	<b>65,045 100%</b>	<b>100%</b>	<b>100%</b>

### Geographic Distribution of Loans

The tables which follow demonstrate a fair response to the credit needs throughout the assessment area.

*HMDA Loans*

The bank's record of originating HMDA loans in low- and moderate-income census tract lags the percentage of originations in these tracts by peer lenders.

<b>TOTAL HMDA LOAN ORIGINATIONS-GEODISTRIBUTION NON-MSA</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts</b>	<b># Loans</b>	<b>\$(000s)</b>	<b># Loans</b>	<b>\$ Loans</b>	<b>Geodistribution of Other Area Financial Institutions</b>	
<b>%</b>	<b>% Total</b>	<b>% Total</b>	<b>% Total</b>	<b>% Total</b>	<b>#</b>	<b>\$</b>
<b>Low</b>	0	0	4	180		
<b>2%</b>	0%	0%	1%	0%	1%	1%
<b>Moderate</b>	41	2,091	49	2,488		
<b>13%</b>	6%	5%	6%	4%	10%	8%
<b>Middle</b>	504	28,401	555	44,439		
<b>60%</b>	73%	70%	67%	68%	60%	55%
<b>Upper</b>	143	9,728	214	17,491		
<b>20%</b>	21%	24%	26%	27%	27%	34%
<b>N.A.</b>	4	251	6	447		
<b>5%</b>	0%	1%	0%	1%	2%	2%
<b>Total</b>	692	40,471	828	65,045		
<b>100%</b>	100%	100%	100%	100%	100%	100%

*Small Business Loans*

The bank has a fair record of originating small business loans in low- and moderate-income census tracts. Lending levels in low- and moderate-income census tracts lags that of peer lenders in the assessment area.

<b>TOTAL SMALL BUSINESS LOAN ORIGINATIONS GEODISTRIBUTION IN NON-MSA</b>						
<b>1998 (Jan-Sept)</b>			<b>1997</b>		<b>1997</b>	
<b>Type of Census Tracts %</b>	<b># Loans % Total</b>	<b>\$(000's) % Total</b>	<b># Loans % Total</b>	<b>\$ (000's) % Total</b>	<b>Geodistribution (%) of Other Area Financial Institutions</b>	
					<b>#</b>	<b>\$</b>
<b>Low</b>	2	76	2	59		
<b>2%</b>	3%	1%	1%	0%	0%	3%
<b>Moderate</b>	4	194	12	1,409		
<b>13%</b>	7%	3%	9%	7%	11%	10%
<b>Middle</b>	37	5,331	96	15,492		
<b>60%</b>	64%	71%	74%	79%	60%	58%
<b>Upper</b>	15	1,903	19	2,515		
<b>20%</b>	26%	25%	15%	13%	29%	29%
<b>N.A.</b>	0	0	1	200		
<b>5%</b>	0%	0%	1%	1%	N.A.	N.A.
<b>Total</b>	58	7,504	130	19,675		
<b>100%</b>	100%	100%	100%	100%	100%	100%

### **Borrowers' Profile**

The following tables demonstrate good responsiveness to the credit needs of borrowers of

different income levels.

*HMDA Loans*

Lending levels of HMDA loans to low- and moderate-income borrowers is good. As noted in the chart below, loan originations to low- and moderate-income borrowers exceed the percentage of families in this income level in the assessment area.

<b>TOTAL HMDA LOAN ORIGINATIONS-BORROWERS' PROFILE NON-MSA</b>							
	<b>1998 (Jan-Sept)</b>			<b>1997</b>			
<b>Family Income Distribution %</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Home Purchase</b>	<b>Refi's</b>	<b>HI</b>	<b>Total</b>
	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>	<b># %</b>
<b>Low 1%</b>	2 5%	24 5%	16 10%	14 5%	23 6%	21 12%	100 7%
<b>Moderate 12%</b>	7 17%	61 13%	29 17%	61 22%	58 15%	37 21%	253 17%
<b>Middle 66%</b>	5 12%	125 26%	42 25%	76 28%	112 29%	48 28%	408 27%
<b>Upper 22%</b>	26 64%	267 55%	78 46%	121 45%	177 47%	68 39%	737 48%
<b>N.A. 0%</b>	1 2%	6 1%	3 2%	0 0%	10 3%	0 0%	20 1%
<b>Total 100%</b>	41 100%	483 100%	168 100%	272 100%	380 100%	174 100%	1,518 100%

*Small Business Lending*

The bank has an adequate record of originating small business loans to borrowers with incomes

less than \$1 million and loans of various sizes.

SMALL BUSINESS LOAN ORIGINATIONS BY REVENUE SIZE IN NON-MSA						
1998 (Jan-Sept)			1997		1997	
Revenue Size	# Loans % Total	\$ Loans % Total	# Loans % Total	\$ Loans % Total	Origination Profile (%) of Other Area Financial Institutions	
					#	\$
Less than or Equal to \$1 Million	35 60%	1,970 26%	60 46%	7,379 38%	(a)	(a)
Greater than \$1 Million	18 31%	5,222 70%	61 47%	10,386 53%	(a)	(a)
Unknown Revenue	5 9%	312 4%	9 7%	1,910 9%	(a)	(a)
<b>Total 100%</b>	58 100%	7,504 100%	130 100%	19,675 100%	(a)	(a)

(a) Peer lender comparisons are not available for Non-MSA areas for this category.

SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN NON-MSA						
	1998 (Jan-Sept)		1997		1997	
Loan Size (000's)	# Loans % Total	\$ (000's) % Total	# Loans % Total	\$ (000's) % Total	Origination Profile (%) of Other Area Financial Institutions	
					#	\$
Less than \$100	41 71%	1,670 22%	83 64%	2,942 15%	87%	34%
\$100-\$250	8 14%	1,195 16%	25 19%	4,424 22%	9%	28%
\$250-\$1,000	9 15%	4,639 62%	22 17%	12,309 63%	4%	38%
<b>Total 100%</b>	58 100%	7,504 100%	130 100%	19,675 100%	100%	100%

### **Community Development Lending Activities**

The level of community development lending in the Eastern Shore is good. FNB Maryland granted four community development loans totaling \$8.5 million during the evaluation period.

### **INVESTMENT TEST**

The bank has approximately \$565 thousand in qualified investments in non-MSA areas and its

performance in this area is better when compared to Hagerstown and Cecil County. Given local opportunities, performance approximates overall performance under this test.

## **SERVICE TEST**

Accessibility to bank services in this portion of the assessment area is not as extensive as the bank's overall performance. The distribution of branch locations and ATMs provide reasonable access to essentially all of the non-MSA counties' residents. (See *Appendix C* for branch and ATM locations by county.) Due to the larger distances between population centers than in other portions of the assessment area, residents have more limited direct access to the bank services. However, alternative delivery systems and products as described in this Performance Evaluation's main text are also available in these counties. Branch service hours are convenient as all branches have evening and/or Saturday hours.

The bank's record of opening and closing branches resulted in a modest reduction in direct services in the area. Since the last review, four branches were closed, with none opened. The branch closings, however, affected CTs of all income levels and do not disproportionately impact LMI individuals. One low-income CT branch located in Salisbury, MD was closed due to branch consolidations, with customers not significantly affected as two other FNB branches remained less than one mile away. Three other branches also located in the Salisbury area were closed in middle-income CTs. In each of these closings, other branches are located nearby.

### **Community Development Services**

Involvement in community development programs is consistent with overall bank performance, considering the bank's presence in the area. FNB provides community development to local initiatives as well as statewide organizations. A sample of organizations local to the non-MSA counties were highlighted in the bank's overall performance discussion in this Performance Evaluation's main text.

Other local groups to which the bank and its officers provide technical, financial or administrative expertise include: the Southern Eastern Shore Revolving Loan Fund, Economic Development Committees, Habitat for Humanity and Fasett Magee Health Care Center, which provides head care for primarily low- to moderate- income individuals. The bank has also sponsored events to promote small business development and assist in welfare-to-work efforts programs.

**Appendix C**  
**Location of Branches and Stand Alone ATMs**

<b>Location</b>	<b>Number of Branches</b>	<b>Number of ATM's</b>
<b>Baltimore, MD MSA</b>	<b>73</b>	<b>114</b>
City of Baltimore	16	41
Baltimore County	24	32
Anne Arundel County	16	15
Harford County	7	12
Howard County	6	10
Carroll County	3	3
Queen Anne's County	1	1
<b>Washington, D.C. MSA</b>	<b>53</b>	<b>62</b>
Washington, D.C.	11	6
Montgomery County, MD	17	19
Prince George's County, MD	10	20
Frederick County, MD	7	10
Charles County, MD	2	5
Calvert County, MD	2	0
Fairfax County, VA	2	1
Loudon County VA	2	0
Arlington County, VA	0	1
City of Fairfax, VA	0	0
City of Alexandria, VA	0	0
City of Falls Church, VA	0	0

**Location of Branches and Stand Alone ATMs (continued)**

<b>Location</b>	<b>Number of Branches</b>	<b>Number of ATM's</b>
<b>Hagerstown, MD MSA</b>	<b>7</b>	<b>1</b>
Washington County	7	1
<b>Wilmington-Newark, DE MSA</b>	<b>2</b>	<b>3</b>
Cecil County, MD	2	3
<b>Non-MSA MD Counties</b>	<b>12</b>	<b>13</b>
Wicomico County	5	3
Worcester County	2	4
St. Mary's County	2	1
Talbot County	1	2
Dorchester County	1	2
Caroline County	1	0
Somerset County	0	1
Kent County	0	0
<b>Total Assessment Area</b>	<b>147</b>	<b>193</b>