



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

April 25, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Long Island  
Charter Number: 13126

10 Glen Head Road  
Glen Head, NY 11545-0000

Office of the Comptroller of the Currency

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**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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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## Overall CRA Rating

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

The following table indicates the performance level of The First National Bank of Long Island with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory		X	
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The bank's overall lending activity in the AA is adequate. The majority of loans were originated in the banks AA.
- Small loans to businesses provide a good distribution among different geographies and borrower income levels.
- Community development lending neutrally impacted the bank's overall lending performance.
- The bank's performance under the investment test is good. Ninety-seven percent of the bank's qualified investments that were reviewed are devoted to low- and moderate-income housing through products that securitize low- and moderate-income residential mortgages.
- The bank's performance under the service test was excellent. The bank provides a relatively high level of community services.
- Services are tailored to the convenience and needs of the assessment areas.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. 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.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division (MD):** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

The First National Bank of Long Island (FNBLI) is a full service intrastate bank headquartered in Glen Head, New York in Nassau County on Long Island. The bank is the sole subsidiary of The First of Long Island Corporation and is listed on the NASDAQ Stock Exchange.

FNBLI provides a broad range of financial services to individual, professional, corporate, institutional and government customers. The bank has thirty four branches in Long Island and New York County. Branches consist of the main office located in Glen Head, New York, nineteen additional full service offices, twelve commercial banking offices, and two select service banking centers. The vast majority of the branches are located in Nassau and Suffolk counties on Long Island, while only three commercial branches are located in New York County.

As of December 31, 2010, FNBLI had total assets of \$1.7 billion, centered in loans (\$890 million or 52%) and investment securities (\$740 million or 43%). Real estate loans total \$859 million and account for 95% of total loans. Commercial loans of \$39 million and individual loans of more than \$5 million represent 4% and 1% of total loans, respectively. The bank's main loan products are 1-4 family residential and commercial mortgages, which account for 90% of total loans. Other loan products include home equity, credit cards, automobile loans, Small Business Administration (SBA) loans, and other commercial and industrial loans. The bank also offers various personal and business deposit products, including savings accounts, drive-through and telephone banking, investment management and trust services, remote deposit capture, and sweep accounts. Tier 1 Capital is \$158 million.

During the evaluation period, the bank experienced strong growth in net loans, total assets, and core deposits. Net loans, total assets and core deposits have increased 71%, 60%, and 67%, respectively, from 2007 to 2010. This is consistent with the bank's strategy, which is to grow from a community bank into a small regional bank, primarily funded by core deposit growth. The bank facilitates this growth by opening de novo branches that consist of larger, more visible branches in the targeted customer market as well as smaller, full service branches in relatively close proximity. During our evaluation period, the bank opened nine new branches and plans to open approximately two branches per year going forward. In the short term, branch expansion will take place in the counties in which the bank already has a presence: Nassau, Suffolk and New York counties. In the future, the bank plans to expand into the larger New York Metropolitan area. The bank has not been involved in any merger or acquisition activity to support growth.

FNBLI operates in a very competitive and mature banking market with limited needs for additional industrial capacity. There are now seventy five banks, which operate nearly one thousand branches in Nassau and Suffolk counties. Since 1999, there has been an increase in the number of branches (all banks) by approximately 25% within the local (Long Island) market, while deposit growth has only been 1.7%. The bank's competitors include local community banks, large regional banks, credit unions, mortgage companies, and non-bank financial institutions. The deposit market is dominated by large multinational institutions such as JP Morgan Chase Bank, Bank of America, Citibank, Bank of New York Mellon, and HSBC Bank USA. These institutions are the top five banks which control over 59% of the deposit market share in the MSA. As of June 2010, the market leader, JP Morgan Chase Bank, had

998 offices and 31.54% of the market share in the area. FNBLI has a mere 0.14% of deposit market share in the MSA, or 1.35% of the Long Island market share.

FNBLI has two assessment areas within the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA #35620. They are: the Nassau-Suffolk MD (#35004) and the New York County MD (#35644), both within New York State. The assessment areas appropriately include geographies where the bank has its main office, branches, and deposit-taking ATMs.

FNBLI has the financial capacity to assist in meeting the credit needs of its AA. There are no legal or financial factors which would impact the bank's ability to help meet the credit needs of its community.

The bank's performance under the Community Reinvestment Act was last evaluated on May 8, 2007, based upon standards applicable to intermediate small banks. The bank's overall level of performance was "Satisfactory".

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the lending test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) and for small loans to business is from January 1, 2007 through December 31, 2010. The bank originated a nominal number of multi-family loans in the assessment areas and did not originate any small loans to farms during the evaluation period; therefore an analysis of these products would not be meaningful and was not performed. The evaluation period for community development loans, investments, and service tests covers activities from January 1, 2007 through April 25, 2011.

### Data Integrity

In March 2011, an evaluation of the integrity of FNBLI's publicly filed information was performed to verify the accuracy and reliability of the HMDA and CRA data. Community development (CD) loans, investments and services, which were submitted by management for consideration, were also verified. The bank's processes, procedures, and internal controls for HMDA and CRA data collection, verification, and reporting were found to be satisfactory. We identified few errors in the reported HMDA loan data, all of which were corrected prior to the start of the CRA examination. This examination was based on accurate data.

### Selection of Areas for Full-Scope Review

We performed full scope reviews of both of the bank's AA: Nassau-Suffolk MD (#35004) and New York County, which is a part of the New York-White Plains-Wayne, NY-NJ MD (#35644).

The bank defines the Nassau-Suffolk AA as all of Nassau County and the western part of Suffolk County in Long Island. This AA consists of 520 census tracts, the majority of which are middle- and upper-income tracts. Ninety-five percent of the bank's deposits and 93% of the total number of home mortgage and small business loans (83% by dollar amount) were made in the Nassau-Suffolk AA.

The bank's New York County AA is generally defined as the area south of Central Park in New York County. It consists of 125 census tracts. This AA accounts for 5% of the bank's deposits and 7% of the total number of home mortgage and small business loans (17% by dollar amount). While the majority of the bank's lending takes place in the Nassau-Suffolk AA, the New York County AA represents a major market for the bank. As such, a full scope review was also performed.

Please refer to appendix A for more information on the AAs.

### Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. More weight was placed on the bank's performance in the Nassau-Suffolk AA as the majority of the bank's branches, deposits, and employees are located in that AA. Additionally, for the Lending test, we placed greater emphasis on the distribution of loans in the Nassau-Suffolk AA

due to the following challenges the bank faces in its New York County AA: a low number of low- and moderate-income census tracts; the location of the census tracts in nonresidential areas; and the location of two of the three branches on upper floors in high rise buildings.

## **Other**

For this examination, we contacted one community development organization from the Nassau-Suffolk AA. We also considered information obtained from a contact made in connection with a separate examination that was performed March 2010. These two local community development organizations provided insight into the needs of the AA, particularly as it relates to low- and moderate-income individuals and families. Discussions with these community contacts revealed that despite the affluence of the AA, there is still significant need for financing and advisory services. This is especially true given the AA's high cost of living and high cost of doing business, coupled with the after-effects of the 2008 credit crisis: unemployment/underemployment, the tightening of underwriting standards, and altered investor psychology. Specifically, there are still needs and opportunities related to investment in low-income housing, residential-mortgage financial literacy and foreclosure prevention, small business loans, and small business advisory services (start-ups, alternative financing, etc).

## **Fair Lending or Other Illegal Credit Practices Review**

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "low satisfactory". Based on full-scope reviews, the bank's performance in the Nassau-Suffolk and New York County AAs is adequate.

#### Lending Activity

Refer to Tables 1 Lending Volume and 1 Other in appendix C for the facts and data used to evaluate the bank's lending activity.

The bank's overall lending activity in the Suffolk-Nassau Counties and New York County AAs is adequate. The bank originated 637 reportable loans in the AA during the evaluation period totaling over \$235 million. Home mortgage lending accounted for 69% of the total volume and 86% of total dollar amount, while small loans to businesses accounted for 31% of the total volume and 14% of the dollar amount. The bank did not originate any small loans to farms during the evaluation period.

Analysis for the lending test in the Nassau-Suffolk and New York County AA focused primarily on home purchase, home refinancing, home improvement, and small loans to businesses. The analysis compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.

In evaluating the bank's lending activity, we considered the lack of low- and moderate- income census tracts and large bank competition within the AAs. Additionally, as a gauge of the bank's lending activity, we also considered its market share. In 2010, the bank ranked 53 out of 185 institutions with 0.14% of the market share in deposits. In 2009, the bank's small business market share ranked 29<sup>th</sup> with 0.09% of the market share in Nassau-Suffolk and 0.08% in New York County. Community development lending neutrally impacted the bank's overall lending performance.

#### Distribution of Loans by Income Level of the Geography

##### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The overall geographic distribution of home purchase loans is adequate, but the geographic distribution of home refinance and home improvement loans is poor within the bank's AA. Multifamily lending volumes are too nominal to provide any meaningful analysis. Therefore, no geographic distribution analysis of this product was performed.

*Home Purchase Loans*

Overall, the geographic distribution of home purchase loans in low- and moderate-income geographies is adequate within the bank's AAs. Penetration in moderate-income geographies was excellent in the New York County AA, exceeding the 5.94% owner-occupied units in those census tracts. Within the Nassau-Suffolk AA, penetration in the moderate-income geographies is poor. Only 1.32% of the bank's home purchase loans were made in these geographies compared the 8.20% owner-occupied units. However, the bank's low market share in moderate-income geographies explains the low penetration. There was no penetration in the low-income geographies. However, this is considered adequate given the small percent of owner-occupied units in those census tracts. The volume of owner-occupied units in low-income geographies provides limited opportunities for the bank with only 0.18% of owner-occupied units in these geographies in the Nassau-Suffolk AA. Additionally, the bank's market share in low-income geographies within the AAs is nonexistent. Based on discussions with bank management, attempts have been made to reach low-and moderate-income geographies by advertising within those areas; however, the bank receives a limited number of low- and moderate-income credit applications.

*Home Improvement Loans*

The overall geographic distribution of home improvement loans is poor. The bank did not originate any home improvement loans in low-income census tracts during the evaluation period. Within moderate-income census tracts, the percent of home improvement loans made in the Nassau-Suffolk AA was slightly more than half of the owner-occupied units. The vast majority of the bank's home improvement loans (95%) were made in middle-income census tracts. The bank did not make any home improvement loans in the New York County AA during the evaluation period.

*Home Mortgage Refinance Loans*

The geographic distribution of home mortgage refinance loans is poor. There is low penetration in moderate-income geographies in the Nassau-Suffolk AA and no penetration in the New York County AA in those tracts. The majority of the bank's refinance loans were made in middle- and upper-income census tracts. In particular, in the Nassau-Suffolk AA, the percentage of bank mortgage refinance loans is much lower than the percentage of owner-occupied units, while in the New York County AA, all the bank's home mortgage refinance loans were made in upper-income geographies. The bank faces difficulty in making loans in the New York County AA based on the location of the census tracts in nonresidential areas and upper floors in high rise buildings. However, the volume of owner-occupied units in moderate-income geographies in both AAs provides opportunities for the bank to lend in those census tracts.

***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The overall geographic distribution of small loans to businesses is good. The percentage of small loans to businesses in moderate-income geographies in the Nassau-Suffolk AA exceeds the percentage of all businesses in those geographies, indicating an excellent level of lending. The bank did not originate any small loans to businesses in low-income geographies. However, the number of businesses in those geographies provided limited opportunities for the

bank to lend since only 0.59% of all businesses in the Nassau-Suffolk AA are in low-income geographies. Small business lending geographic distribution in the New York County AA was poor. The bank did not originate any small business loans in low- and moderate-income tracts in this AA during the evaluation period. However, we considered the fact that the bank only made eleven small business loans in the New York County AA and that large bank competition makes it difficult for the bank to make small business loans within these geographies. The bank does not have any market share in the low- and moderate-income geographies for small business lending in the New York AA. As such, more weight was given to the bank's performance in the Nassau-Suffolk AA.

### ***Lending Gap Analysis***

We found no unexplained conspicuous gaps in FNBLI's lending patterns. The bank's Nassau-Suffolk and New York County AAs have a low volume of low- and moderate-income census tracts. Overall, the AAs only contain 16 or 2.48% low-income census tracts, and 72 or 11.16% moderate-income census tracts. Within these census tracts, only 8.36% of the housing units are owner-occupied. None of the bank's branches are located in low-income geographies and only one branch in moderate-income geographies.

### ***Inside/Outside Ratio***

A majority of the bank's home mortgage loans and small loans to businesses were originated inside the Nassau-Suffolk and New York County AAs. The analysis was performed at the bank level as opposed to the AA level and includes bank originations and purchases only. During the evaluation period, 67.91% of the bank's reportable loans were originated inside the designated AAs. Specifically; 49% of all home purchase loans were within the AA; 65.58% of all home refinance loans were within the AA; 100% of all home improvement loans were within the AA; and 91.98% of all small loans to businesses were originated inside the AA. The volume of loans originated inside the AA was considered good and positively impacted the overall geographic distribution evaluation.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall borrower distribution of home purchase, home refinance, and home improvement loans in the Nassau-Suffolk and New York County AA is adequate. We placed greater emphasis on the distribution of loans in the Nassau-Suffolk AA due to the relatively small number of loan originations in the New York County AA. Multifamily lending volumes are too nominal to provide any meaningful analyses. Therefore, no borrower distribution analysis of this product was performed.

The borrower distribution of home mortgage loans in the Nassau-Suffolk AA is adequate. The percentage of home improvement loans made to moderate-income borrowers was more than half of the percentage of moderate-income families in the AA, indicating an adequate level of lending. The bank did not make home purchase or home improvement loans to low-income

borrowers, while 17.11% of families in the Nassau-Suffolk AA are low-income. The percentage of home purchase and home refinance loans made to moderate-income borrowers were significantly below the percentage of moderate-income families in the AAs. However, major consideration was given to the high housing costs in the AAs and the poor economic conditions. These factors affect low- and moderate-income borrowers' ability to obtain affordable housing, and the bank's ability to originate home mortgage loans to these borrowers. Where opportunities may seem to exist for the bank to lend to low- and moderate-income borrowers, we have taken into consideration the bank's lack of market share and the competitiveness of the market.

The bank did not make any home purchase, home refinance, or home improvement loans to low- and moderate- income borrowers in the New York County AA during the evaluation period. Although the bank only made loans to upper-income borrowers, the volume of loans was nominal with a total of 27 loans. In addition, the majority of families in the New York County AA, 64.96%, are middle- and upper-income borrowers.

Given the limiting factors described above, overall borrower distribution of home mortgage loans is considered adequate.

### ***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The overall borrower distribution of small loans to businesses is adequate. The borrower distribution of small loans to businesses in the Nassau-Suffolk and New York County AA is adequate. The bank made 28.89% of bank loans to businesses with revenues of \$1 million or less in the Nassau-Suffolk AA. The bank made 27.27% of bank loans to businesses with revenues of \$1 million or less in the New York County AA. The percentage of bank loans to businesses with revenues of \$1 million or less in both AAs is lower than the percentage of businesses in each AA. However, given the limited market share of 0.23% in the Nassau-Suffolk AA and 0% in the New York County AA, the distribution is adequate. In addition, the bank's market share of loans to businesses with revenues of \$1 million or less, 0.23%, significantly exceeds the bank's overall market share, 0.09%, indicating good market performance. The majority of small loans to businesses were made in amounts less than \$100 thousand, which indicates many of these loans are to smaller businesses.

The bank ranked 29 in both the Nassau-Suffolk and New York County AAs for market share of small loans to businesses. In 2009, the bank held 0.09% and 0.08% of the market share in the Nassau-Suffolk and New York AAs, respectively. The market is dominated by two lenders, American Express Bank and Chase Bank, each having a market share exceeding 10%. The average loan size for the top lenders is \$5.5 thousand which indicates a predominance of credit card lending. The bank's average loan size is \$176 thousand.

### **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic

lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

The level of community development lending is adequate and has a neutral impact on the lending test. We reviewed 57 loans that the bank designated as community development loans. Twenty-one loans qualified under the community development definition. Of the 21 qualified loans, 14 were devoted to economic development by financing small businesses, and therefore were not counted towards community development lending, but towards small loans to businesses. In total, the bank originated seven loans totaling \$3.5 million in the AAs which were counted towards community development lending. The bank's community development loans make up 2.24% of tier one capital.

The following loans are examples of qualified community development loans in the AAs:

- A total of \$1 million in loans to a business that provides broker services and serves as a channel for affordable housing to low- and moderate-income individuals.
- A total of \$100 thousand in loans to an organization that finances small businesses. The organization promotes economic development by creating and preserving job opportunities in the community.
- A total of \$100 thousand in loans to an organization that is located in a low-income census tract. The organization provides special needs services to children in all geographies of Long Island.

## **Product Innovation and Flexibility**

Product innovation and flexibility had a neutral impact on the lending test conclusion. The bank offers standard loan products.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "high satisfactory". Based on the full-scope reviews, the bank's performance in the Nassau-Suffolk AA and New York County AA is good.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

The bank operates in a relatively affluent area with a high level of banking competition. This environment, coupled with the tightening of underwriting and the limited amount of CRA qualified securities, has made it more difficult to achieve outstanding CRA investment performance. However, there has been a consistent need in the community as it relates to low- and moderate-income housing, foreclosure prevention, and pro bono individual and small business advisory services. To meet these needs, the bank has made \$8.1 million in qualified investments during the evaluation period. The bank also retains \$2.3 million in investments from the prior CRA evaluation cycle. Out of the aggregated amount of \$10.4 million, nearly 97% is devoted to low- and moderate-income housing.

Low- and moderate-income housing investments are largely made through securitized low- and moderate-income residential mortgages selected by the bank on an individual basis. These investments include mortgage pass-through bonds from Fannie Mae (FNMA), Freddie Mac (FHLMC), and Ginnie Mae (GNMA). Some of the largest examples include a \$1.81 million FHLMC pass-through pool and a \$1.37 million GNMA pass-through pool where the underlying borrowers each had an income level that was less than 80% of the median income for the applicable AA.

In addition to mortgage-backed security investments, the bank takes an active leadership role in the community through its participation and equity investment community development organizations. The bank made 26 notable donations to community organizations that are designed to assist low- and moderate-income individuals and minority businesses; and two \$100 thousand investments with minority-owned banks.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "outstanding". Based on full-scope reviews, the bank's performance in the Nassau-Suffolk AA is excellent and in the New York County AA is adequate. More weight was placed on the bank's performance in the Nassau-Suffolk AA as the majority of the bank's branches, deposits, and employees are located within that AA.

### **Retail Banking Services**

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

FNBLI's service delivery systems are accessible to geographies and individuals of different income levels throughout its Nassau-Suffolk AA and its New York County AA. Since the last CRA evaluation, the bank opened nine new branches, closed one branch, and relocated another. Of the nine new branches opened since the last evaluation, five were opened in Nassau County with three located in middle-income geographies and two located in upper-income geographies. The remaining four branches were opened in Suffolk County with two located in middle-income geographies and two located in upper-income geographies. The bank closed one branch that was located in a middle-income geography and merged it with another branch located in an upper-income geography in Nassau County. Branch locations are mainly in middle- and upper-income geographies but are in close proximity to the low- and moderate-income geographies within the bank's AAs, accessible via main thoroughfares and public transportation.

The bank's service hours also provide convenience and reasonable access for its AAs. Services offered to all customers are consistent and do not preclude convenient access to, low- and moderate-income individuals living within the bank's AAs. Of the bank's 20 full service branches, all have ATM services, 12 offer drive-up facilities, 17 provide extended Friday evening and Saturday banking hours. Of the bank's 12 commercial and 2 select service banking branches, one has Saturday banking hours and 4 have ATM services. The bank also offers bank-by-mail, bank-by-phone, debit cards, credit cards, and internet banking. A variety of loan and deposit products are available at all branches, including some products that assist low- and moderate-income individuals and families. The bank offers a free checking account with no minimum balance that offers free online banking, e-statements, and bill pay, and a free statement savings account with no minimum balance needed to earn interest. However, a minimum balance of \$500 is needed for the free statement savings account to avoid monthly service fees. There is a savings account product available to children under the age of 18, in which no minimum balance is required to earn interest. In addition, no minimum balance is required to avoid monthly service fees for this account.

### **Community Development Services**

During the evaluation period, 40 bank employees provided financial expertise, leadership services, or both, to 55 different qualifying community development organizations serving the bank's AAs.

In the Nassau-Suffolk AA, 39 bank employees provided financial expertise, leadership services, or both, to 53 different qualifying community development organizations serving the AA. The majority of these community development organizations were chambers of commerce and rotary clubs that serve the different cities, towns, and incorporated villages that make up Nassau and Suffolk Counties. These organizations promote economic development by financing local small businesses and provide community services to low- and moderate-income individuals and families. Notable examples of the bank's participation in community development services serving this AA include:

- Senior bank officers, through an organization, provide loan and business training to small businesses in Nassau and Suffolk Counties, in an effort to promote economic development. The organization's primary goals include assisting with homeownership, sustaining affordable housing, starting or expanding a business, and providing financial management assistance.
- The Senior Operations Officer at the bank is an active member of an organization dedicated to preserving and revitalizing low-income houses and communities. In the last fifteen years the organization has provided repairs to over 1,700 low-income homeowners at a pace of one hundred projects annually within Nassau and Suffolk Counties.
- The Senior Operations Officer is a member of an organization that was created to address the need for and to provide affordable housing opportunities to people unable to afford homes. The organization accomplishes its mission through development, technical assistance, mortgage counseling, homebuyer education, and lending programs.

In the New York County AA, two bank employees provided financial expertise, leadership services, or both, to two different qualifying community development organizations serving the bank's New York County AA. Although the number of bank employees providing financial expertise and/or leadership services appears low in this AA, this is considered adequate as the majority of the bank's employees work and reside in the Nassau-Suffolk AA. Community development services include:

- Bank President & Chief Executive Officer sits on the Board of Trustees of a law school in the AA. The school provides community services targeted to low- and moderate-income individuals by offering need-based grants to students who demonstrate exceptional financial need after the federal loans, family contribution, and work components are factored into the cost of attendance.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/07 to 12/31/10 CD Loans: 03/01/07 to 04/25/11 Investment and Service Tests: 03/01/07 to 04/25/11	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The First National Bank of Long Island (FNBLI) Glen Head, NY	Home Mortgages, Small Loans to Businesses, Community Development Loans, Qualified CD Investments and Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Nassau-Suffolk Counties #35004 New York County #35644	Full-Scope  Full-Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### Nassau-Suffolk AA

Demographic Information for Full Scope Area: FNBLI 35004 AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	520	0.58	10.96	64.23	22.50	1.73
Population by Geography	2,425,308	0.77	12.40	65.58	21.24	0.01
Owner-Occupied Housing by Geography	641,410	0.18	8.20	67.34	24.28	0.00
Businesses by Geography	203,060	0.59	10.07	62.90	26.43	0.01
Farms by Geography	3,660	0.27	11.58	65.98	22.16	0.00
Family Distribution by Income Level	627,648	17.11	18.05	24.10	40.73	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	220,717	1.32	16.95	68.25	13.47	0.00
Median Family Income	= \$76,221			Median Housing Value	247,396	
HUD Adjusted Median Family Income for XXXX	= 103,600			Unemployment Rate	1.85%	
Households Below the Poverty Level	= 5%			(2000 US Census)		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 US Census and 2010 HUD updated MFI

FNBLI defines the Nassau-Suffolk AA as all of Nassau County and the western part of Suffolk County in Long Island. The bank provides banking services throughout its Nassau-Suffolk AA with 31 branches, of which 19 are located in Nassau County and 12 are in Suffolk County. As a percent of the total number of branches in the bank's Nassau-Suffolk AA, 6% (2 branches) are located in the moderate-income geographies where 12.40% of the population resides; 52% (16 branches) are located in the middle-income geographies where 65.58% of the population resides, and 42% (13 branches) are located in the upper-income geographies where 21.24% of the population resides. Although the percent of the total number of branches located in moderate-income geographies is less than the percent of the population that resides in these geographies, and there are no branches in low-income geographies, the bank's 31 branches in this AA are well located and widespread throughout the AA. No particular low- or moderate-income tract is more than five miles away from a branch.

According to the US Bureau of Labor Statistics, the 2010 unemployment rate for Long Island was 7%, which was below the national unemployment rate of 9.6%. Major employers in Long Island include North Shore-Long Island Jewish-Health Systems, Cablevision Systems, Diocese of Rockville Centre, SUNY at Stony Brook, Waldbaum's, Sbarro, Inc, Winthrop South Nassau University Health System, Verizon Communications, The Home Depot Inc., and Pathmark Stores. Top industry sectors are education and health services; government; professional and business services; and retail trade.

Nassau-Suffolk has had better labor market performance compared to surrounding areas. However, analysts believe that job and income growth will slow and continue to lag that of the rest of the state and the nation. Contributing to this stagnation is the disappearance of higher paying jobs in finance and high-tech manufacturing and relatively faster job growth in lower-paying service industries. Housing prices, which are considered near the highest in the country, will continue to fall. Price declines will be coupled with growing foreclosures evidenced by Long Island's late-stage mortgage delinquency rates which are much higher than the national average.

Analysts report the strengths of the Nassau/Suffolk area to be: above average diversity, high per capita income, and a highly skilled workforce. However, among the area's weaknesses are an aging infrastructure and difficult regulatory environment for improvements, high business and housing costs, lack of developable land and an increasing pipeline of foreclosures. Housing prices are expected to fall another 8% by the end of 2011. This matches the expected forthcoming decline nationally, but Long Island's late stage mortgage delinquency rates are much higher than the national average, indicating that a pipeline of future foreclosures is building.

### New York County AA

Demographic Information for Full Scope Area: FNBLI 35644 AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	125	10.40	12.00	10.40	65.60	1.60
Population by Geography	557,626	13.29	13.51	11.74	61.44	0.01
Owner-Occupied Housing by Geography	63,847	2.32	5.94	7.62	84.11	0.00
Business by Geography	162,306	3.33	4.54	8.20	81.26	2.68
Farms by Geography	379	6.33	5.54	8.44	79.42	0.26
Family Distribution by Income Level	98,904	23.23	11.81	12.54	52.42	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	34,659	35.72	27.96	11.43	24.90	0.00
Median Family Income		49,461	Median Housing Value		331,956	
HUD Adjusted Median Family Income for 2010		65,600	Unemployment Rate (2000 US Census)		4.10%	
Households Below Poverty Level		13%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 US Census and 2010 HUD updated MFI

The New York County assessment area is generally defined as the area south of Central Park in New York County. It is also known as the New York-White Plains-Wayne, NY-NJ MSA (35644). The bank provides banking services throughout its New York County AA with three commercial banking branches. As a percent of the total number of branches in the bank's New York County AA, 33% (1 branch) are located in the middle-income geographies where 11.74% of the population resides and 67% (2 branches) are located in the upper-income geographies where 61.44% of the population resides. Although none of the branches are located in low- or moderate-income geographies, all of the low- and moderate-income tracts in the New York County AA are within two miles of a branch.

New York County is considered, in many respects, to be the financial capital of the world. Analysts list the strengths of the county to be: high level of international immigration and high per capita income and limited exposure to manufacturing. Conversely, challenges include: high business costs, especially from energy costs; high income inequality; and very unaffordable housing and high tax burdens on residents.

According to the US Bureau of Labor Statistics, the 2010 unemployment rate was 9.5%, which was slightly below the national unemployment rate of 9.6%. Major employers in New York County include New York-Presbyterian Healthcare System, Citigroup Inc., JPMorgan Chase & Company, Verizon Communications, Federated Department Stores Inc., Continuum Health Partners Inc., Columbia University, Time Warner Inc., and North-Shore Long Island Jewish Health System. Top industry sectors are education and health services; government; professional and business services; and financial activities.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As 12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As 12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: FNBLI 35644/35004 AA						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010				
Assessment Area (2010):	% of Rated Area Loans (#) in MA/AA <sup>*</sup>	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans <sup>**</sup>		Total Reported Loans		% of Rated Area Deposits in MA/AA <sup>***</sup>
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
FNBLI 35004 AA	92.94	408	164,690	184	31,531	0	0	0	0	592	196,221	0.00
FNBLI 35644 AA	7.06	34	36,445	11	2,550	0	0	0	0	45	38,995	0.00

<sup>\*</sup> Loan Data as of December 31, 2010. Rated area refers to either state or multi-state MA rating area.

<sup>\*\*</sup> The evaluation period for Community Development Loans is from January 01, 2010 to December 31, 2010.

<sup>\*\*\*</sup> Deposit Data as of April 27, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: FNBLI 35644/35004 AA						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010						
Assessment Area (2010):	% of Rated Area Loans (#) in MA/AA <sup>*</sup>	Total Optional Loans <sup>**</sup>		Small Business Real Estate Secured <sup>**</sup>		Home Equity <sup>**</sup>		Motor Vehicle <sup>**</sup>		Credit Card <sup>**</sup>		Other Secured Consumer <sup>**</sup>		% of Rated Area Deposits in AA <sup>***</sup>
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>														
FNBLI 35004 AA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00
FNBLI 35644 AA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00

<sup>\*</sup> Loan Data as of December 31, 2010. Rated area refers to either state or multi-state MA rating area.

<sup>\*\*</sup> The evaluation period for Optional Product Line(s) is from January 01, 2007 to December 31, 2010.

<sup>\*\*\*</sup> Deposit Data as of April 27, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: FNBLI 35644/35004 AA		Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010	
Assessment Area (2010):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
FNBLI 35004 AA	0	0	0	0	0
FNBLI 35644 AA	0	0	0	0	0

\* The evaluation period for Optional Product Line(s) is from January 01, 2007 to December 31, 2010.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: FNBLI 35644/35004 AA						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010							
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
FNBLI 35004 AA	76	83.52	0.18	0.00	8.20	1.32	67.34	35.53	24.28	63.16	0.12	0.00	0.04	0.06	0.37
FNBLI 35644 AA	15	16.48	2.32	0.00	5.94	6.67	7.62	0.00	84.11	93.33	0.07	0.00	0.43	0.00	0.06

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner-occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: FNBLI 35644/35004 AA				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010					Market Share (%) by Geography				
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overa ll	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
FNBLI 35004 AA	19	100.00	0.18	0.00	8.20	5.26	67.34	94.74	24.28	0.00	0.08	0.00	0.00	0.11	0.00	
FNBLI 35644 AA	0	0.00	2.32	0.00	5.94	0.00	7.62	0.00	84.11	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner-occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: FNBLI 35644/35004 AA				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010					Market Share (%) by Geography				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overa II	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
FNBLI 35004 AA	310	96.27	0.18	0.00	8.20	2.58	67.34	51.61	24.28	45.81	0.25	0.00	0.03	0.18	0.51	
FNBLI 35644 AA	12	3.73	2.32	0.00	5.94	0.00	7.62	0.00	84.11	100.00	0.10	0.00	0.00	0.00	0.11	

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner-occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: FNBLI 35644/35004 AA					Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010					Market Share (%) by Geography				
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overa II	Low	Mod	Mid	Upp	
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans						
<b>Full Review:</b>																
FNBLI 35004 AA	3	30.00	3.77	0.00	24.34	0.00	60.13	33.33	11.76	66.67	1.37	0.00	0.00	0.00	7.69	
FNBLI 35644 AA	7	70.00	8.26	0.00	10.53	14.29	12.17	0.00	69.04	85.71	0.50	0.00	0.00	0.00	0.65	

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: FNBLI 35644/35004 AA				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010					Market Share (%) by Geography				
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans						
<b>Full Review:</b>																
FNBLI 35004 AA	184	94.36	0.59	0.00	10.07	10.33	62.90	54.89	26.43	34.78	0.09	0.00	0.05	0.08	0.15	
FNBLI 35644 AA	11	5.64	3.33	0.00	4.54	0.00	8.20	18.18	81.26	81.82	0.01	0.00	0.00	0.02	0.01	

\* Based on 2009 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2010).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		Geography: FNBLI 35644/35004 AA						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010							
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
FNBLI 35004 AA	0	0.00	0.27	0.00	11.58	0.00	65.98	0.00	22.16	0.00	0.00	0.00	0.00	0.00	0.00
FNBLI 35644 AA	0	0.00	6.33	0.00	5.54	0.00	8.44	0.00	79.42	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2009 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2010).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: FNBLI 35644/35004 AA							Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010						
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>1</sup>	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
FNBLI 35004 AA	76	83.52	17.11	0.00	18.05	5.26	24.10	14.47	40.73	80.26	0.14	0.00	0.04	0.08	0.28
FNBLI 35644 AA	15	16.48	23.23	0.00	11.81	0.00	12.54	0.00	52.42	100.00	0.08	0.00	0.00	0.00	0.09

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT DECEMBER 31, 2010		Geography: FNBLI 35644/35004 AA						Evaluation Period: JANUARY 1, 2007 TO							
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>2</sup>	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
FNBLI 35004 AA	19	100.00	17.11	0.00	18.05	10.53	24.10	42.11	40.73	47.37	0.08	0.00	0.00	0.13	0.10
FNBLI 35644 AA	0	0.00	23.23	0.00	11.81	0.00	12.54	0.00	52.42	0.00	0.00	0.00	0.00	0.00	

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: FNBLI 35644/35004 AA				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010					Market Share*				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers							
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>3</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans*** *	Overa ll	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
FNBLI 35004 AA	310	96.27	17.11	1.94	18.05	5.18	24.10	15.86	40.73	77.02	0.28	0.00	0.03	0.15	0.57	
FNBLI 35644 AA	12	3.73	23.23	0.00	11.81	0.00	12.54	0.00	52.42	100.00	0.11	0.00	0.00	0.00	0.11	

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.3% of loans originated and purchased by bank.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: FNBLI 35644/35004 AA			Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010				
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
FNBLI 35004 AA	184	94.36	80.48	29.89	60.87	20.11	19.02	0.09	0.23
FNBLI 35644 AA	11	5.64	66.83	27.27	54.55	9.09	36.36	0.01	0.00

\* Based on 2009 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2010).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 1.03% of small loans to businesses originated and purchased by the bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: FNBLI 35644/35004 AA			Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
FNBLI 35004 AA	0	0.00	96.07	0.00	0.00	0.00	0.00	0.00	0.00
FNBLI 35644 AA	0	0.00	92.08	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2009 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2010).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)

N/A

Geographic and Borrower Distribution: CONSUMER LOANS										Geography: XXXXXXXXXXXXX Evaluation Period: MONTH DAY,XXXX TO MONTH DAY,XXXX									
MA/Assessment Area:	Geographic Distribution										Borrower Distribution								
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		
	#	% of Total*	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	
<b>Full Review:</b>																			

\* Consumer loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.

\*\* Percentage of Households is based on the 2000 Census Information.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS 2011		Geography: FNBLI 35644/35004 AA				Evaluation Period: JANUARY 1, 2007 to March 31,			
MA/Assessment Area: 36544/35004	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
MSA 35004	2	\$2,282	33	\$7,900	35	\$10,182			
MSA 35644	0	0	3	\$203	3	\$203			

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS JANUARY 1, 2007 TO DECEMBER 31, 2010								Geography: FNBLI 35644/35004 AA				Evaluation Period:					
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
FNBLI 35004 AA	94.72	0	91.18	0.00	6.45	51.61	41.94	0	0	0	0	0	0	0.77	12.40	65.58	21.24
FNBLI 35644 AA	5.28	3	8.82	0.00	0.00	33.33	66.67	0	0	0	0	0	0	13.29	13.51	11.74	61.44