

PUBLIC DISCLOSURE

February 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**FIRST COMMERCIAL BANK OF PHILADELPHIA
RSSD - 000001404968
PHILADELPHIA, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA
PHILADELPHIA, PENNSYLVANIA**

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 Reserve Bank of Philadelphia concerning the safety and soundness of this financial institution.

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 operations of the financial institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First Commercial Bank of Philadelphia** prepared by the **Federal Reserve Bank of Philadelphia**, as of **February 17, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

DISCUSSION OF INSTITUTION'S PERFORMANCE

SCOPE OF EXAMINATION

The scope of the examination consisted of an assessment of the lending performance of First Commercial Bank of Philadelphia (FCB) since the previous examination, conducted as of September 4, 1996 by this Reserve Bank. Specifically, the bank's lending activities were assessed through analyses of its 1997 Home Mortgage Disclosure Act Loan Application Register (LAR) and consumer, commercial, and other real estate loans originated during the twelve months ended December 31, 1997. The examination also included an evaluation of the institution's compliance with anti-discrimination laws and regulations. In addition, interviews were conducted with representatives of the Cambodian Association of Greater Philadelphia and the Philadelphia Chinatown Development Corporation in an effort to gain a better understanding of the credit needs of the bank's assessment area, as designated for purposes of CRA. The evaluation was based solely on those lending activities and initiatives which occurred during the period between examinations.

INSTITUTION'S RATING

OUTSTANDING

FCB's overall lending level and concentration of credit within its assessment area (AA), as designated for purposes of CRA, evidence an affirmative response to local credit demands, commensurate with the institution's size, and financial capacity. The bank's loan-to-deposit ratio remains considerably above industry averages, owing in large part to ongoing loan growth; while the substantial majority of loans originated by FCB between examinations are geographically contained within the AA.

The bank's lending activities are largely concentrated in commercial purpose credit extended to numerous small businesses, a substantial portion of which operate in low- and moderate-income geographies throughout the AA. Additionally, as an accommodation to business borrowers, FCB engages in consumer purpose lending activities. In this regard, more than 60% of the 38 home mortgages originated within the AA during 1997 were extended to low- and moderate-income persons, irrespective of property location, while approximately 60% of such originations were extended to finance properties in various low- and moderate-income geographies throughout the AA.

DESCRIPTION OF INSTITUTION

FCB commenced operations in October 1989 as a full-service independent commercial bank and currently operates two offices. The bank also operates an automated teller machine (ATM) and is a member of the Money Access Center (MAC) ATM network and the PLUS System, which provides national access to other automated transaction systems. FCB's main office is located across the street from the Pennsylvania Convention Center in the Chinatown section of the central business district of Philadelphia. A branch office, which opened June 1995, is located in Upper Darby, Delaware County, Pennsylvania. FCB reported total assets of \$75 million as of December 31, 1997.

FCB is a minority owned bank with a marketing focus on Asian immigrants and persons of Asian extraction that reside in and/or conduct business within the Philadelphia Metropolitan Statistical Area (MSA). Most of FCB's staff is of Asian decent, fluent in various Asian languages and familiar with the different Asian cultures and customs as well. With the exception of one employee, the entire staff of the bank's main office speak Chinese. Additionally, the Upper Darby office has three Chinese speaking tellers, two Korean speaking tellers, one teller who speaks Greek, and another teller who speaks Hindi. Management feels that a staff, which is both multi-lingual and multi-cultural, proactively accommodates Asian and other non-English speaking customers.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DESCRIPTION OF INSTITUTION (continued)

FCB's main office maintains regular business hours Monday through Friday, from 9:00 a.m. to 5:30 p.m.; and Saturdays from 10:00 a.m. to 3:00 p.m. Business hours at the Upper Darby office are Monday through Thursday from 8:00 a.m. to 6:00 p.m.; Friday from 8:00 a.m. to 7:00 p.m.; and Saturday from 10:00 a.m. to 2:00 p.m.

During FCB's eight years of operations, the bank has experienced significant growth in a financial services market characterized by strong competition for deposits and loan products. Moreover, the bank has been consistently profitable over the past six years. FCB's primary loan and deposit product offerings are summarized as follows.

| First Commercial Bank - Loan and Deposit Products | |
|--|--|
| <u>Loan Products</u> | <u>Deposit Products</u> |
| SBA Programs | Club Accounts |
| Bridge Financing | Checking Accounts |
| Home Equity Loans | Savings Accounts |
| Installment Loans | Business Accounts |
| Home Improvement Loans | Certificates of Deposit |
| Student Loans | Money Market Deposit Accounts |
| Residential Mortgage Loans | Individual Retirement Accounts (IRAs) |
| Commercial Loans | Negotiable Orders of Withdrawal Accounts |

The bank's actual lending activities are reflective of a concerted responsiveness, on its part, to the credit needs of numerous small businesses and entrepreneurs operating throughout the AA. Of the \$75 million in total assets reported in the bank's Uniform Consolidated Reports of Condition and Income as of December 31, 1997, \$50.7 million or 70% were loans outstanding. In dollar terms, business purpose loans comprise virtually all of the loan portfolio, with loans secured by residential real estate and extended for business purposes representing approximately 90% of total loans outstanding. Notwithstanding such commercial lending orientation, FCB also offers consumer purpose loans, including home mortgage credit, as an accommodation to its many business borrowers.

DESCRIPTION OF ASSESSMENT AREA

[Note; Median family incomes and all other demographic indices and statistics, presented throughout this evaluation are based on 1990 U.S. census data, unless otherwise noted.]

Census Tracts

The AA is comprised of the entire MSA, which is locally referred to as the Delaware Valley, and includes the nine counties of: Bucks, Chester, Delaware, Montgomery, and Philadelphia in Pennsylvania; and Burlington, Camden, Gloucester, and Salem counties in New Jersey. In designating the AA as the entire

(continued)

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Census Tracts (continued)

MSA, FCB-s management contends that Asian customers who reside or maintain businesses throughout the Philadelphia MSA are willing to travel considerable distances to FCB-s offices because of its unique focus on the Asian minority community. The following table summarizes the composition of the MSA or AA by census tract and population.

| Summary of First Commercial Bank-s Assessment Area Census Tracts & Population | | | | |
|---|---------------------|------|-------------------|------|
| Census Tract Type | Population/ Percent | | # Tracts/ Percent | |
| Low-income | 433,092 | 9% | 138 | 11% |
| Moderate-income | 838,552 | 17 | 200 | 16 |
| Middle-income | 2,249,742 | 46 | 574 | 45 |
| Upper-income | 1,400,789 | 28 | 365 | 28 |
| Total | 4,922,175 | 100% | 1,277 | 100% |

Source: Board of Governors of the Federal Reserve Systems Community Lending Analysis System, (CLAS).

FCB-s main office is located in a moderate-income census tract in the Chinatown section of the city of Philadelphia. Chinatown, with a population of approximately 1,500 and a limited housing stock, is fully developed. Restaurants, merchants, and wholesalers typify the businesses in Chinatown. The immediate area surrounding FCB-s Upper Darby office, located in a middle-income tract, includes a considerable portion of residents or business owners that are either of Asian decent or other non-English speaking ethnic groups.

Income and Housing

The 1990 median family income of the AA was \$41,908. Based on this median, the following table categorizes households and families within the AA by both census tract (geography) type and income type.

| Assessment Area- Distribution of Households and Families by Geography and Income | | | | | | | | |
|--|--|------|-------------------------------------|------|--------------------------------------|------|-----------------------------------|------|
| | NUMBER OF HOUSEHOLDS BY GEOGRAPHY TYPE | % | NUMBER OF HOUSEHOLDS BY INCOME TYPE | % | NUMBER OF FAMILIES BY GEOGRAPHY TYPE | % | NUMBER OF FAMILIES BY INCOME TYPE | % |
| LOW | 138,341 | 8% | 432,334 | 24% | 91,933 | 7% | 250,176 | 20% |
| MOD | 309,002 | 17 | 284,223 | 16 | 204,234 | 16 | 224,590 | 18 |
| MIDDLE | 847,623 | 47 | 365,170 | 20 | 595,945 | 47 | 302,101 | 24 |
| UPPER | 503,701 | 28 | 716,940 | 40 | 376,083 | 30 | 491,328 | 38 |
| TOTAL: | 1,798,667 | 100% | 1,798,667 | 100% | 1,268,195 | 100% | 1,268,195 | 100% |

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Income and Housing (continued)

Of the AA-s nearly 1.8 million households, approximately 70% are comprised of families. The 1998 adjusted median family income, as estimated by the U.S. Department of Housing and Urban Development (HUD), is \$52,900, which results in the following income categories:

| Year | Medium Family Income | Low Income (<50%) | Moderate Income (50% - <80%) | Middle Income (80% - <120%) | Upper income (120% or Greater) |
|------|----------------------|--------------------|------------------------------|-----------------------------|--------------------------------|
| 1998 | \$52,900 | Less than \$26,450 | \$26,450 - \$42,319 | \$42,320 - \$63,479 | \$63,480 or more |

As a comparison, the 1998 adjusted median family income for the states of Pennsylvania and New Jersey were \$43,400 and \$61,200, respectively.

The following table presents respective median housing values and home ownership rates for the AA(MSA) and the states of Pennsylvania and New Jersey.

| Assessment Area Demographic Comparison | | | |
|---|----------------------|--------------|------------|
| | Assessment Area/MSA: | Pennsylvania | New Jersey |
| Median Housing Value: | \$99,212 | \$69,075 | \$161,219 |
| %Owner-Occupied Housing Units | 65% | 64% | 59% |

At an owner-occupancy rate of 65%, overall home ownership within the AA is comparable to that of the state of Pennsylvania and somewhat above that of New Jersey. The AA-s median housing value is considerably below that of the state of New Jersey, owing in large part to the northern part of that state-s proximity to New York City. Nevertheless, the AA housing median well exceeds the Pennsylvania median, with the MSA having the highest overall cost of living of any metropolitan statistical area in Pennsylvania. In this regard, more than 50 percent of the AA-s housing stock was valued between \$61,000 and \$150,000, based on 1990 census data, while more than twenty-five percent of all housing units were valued at over \$150,000. Overall affordability of housing within the AA, as measured by the housing affordability ratio¹, is .357%, compared to ratios of .421% and .254% for the states of Pennsylvania and New Jersey, respectively.

Not surprisingly, housing affordability, as an obstacle to home ownership, is more prevalent in the AA-s low- and moderate-income geographies. The following table indicates that such geographies have lower owner-occupancy rates and higher vacancy rates than middle- and upper-income geographies.

¹The affordability ratio is calculated by dividing the median household income for a given area by the median housing value for the area. The figure represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the area. Values closer to 1.0 indicate greater affordability.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Income and Housing (continued)

| Assessment Area - Housing Statistics | | | | | | | |
|--------------------------------------|-------------|----------------------------------|-----|--------------------------------|-----|--------------------------|-----|
| | Total Units | Owner-Occupied Number Percent | | Rental Units Number Percent | | Vacant Number Percent | |
| Low | 166,277 | 66,125 | 40% | 72,654 | 44% | 27,498 | 17% |
| Moderate | 343,405 | 195,055 | 57 | 115,061 | 34 | 33,289 | 10 |
| Middle | 893,445 | 595,830 | 67 | 253,379 | 28 | 44,236 | 5 |
| Upper | 529,372 | 397,672 | 75 | 105,383 | 20 | 26,317 | 5 |
| Total | 1,932,499 | 1,254,682 | 65% | 546,477 | 28% | 131,340 | 7% |

Source: CLAS

Moreover, housing rents, relative to income levels, are considerably higher in the AA-s low- and moderate-income geographies than rents in middle- and upper-income geographies. The following table indicates that the percentages of renters paying rent of more than 30% of their gross incomes are higher in low- and moderate-income geographies than other geographies. The 30% benchmark is commonly accepted as an overall affordability guideline.

| Philadelphia MSA | | |
|------------------|--|-------|
| Tract By Income: | Renter Population Paying Rent > 30% of gross Income Number Percent | |
| Low | 36,294 | 50.0% |
| Moderate | 52,568 | 45.7 |
| Middle | 95,341 | 37.6 |
| Upper | 38,317 | 36.4 |
| Total | 222,520 | 40.7% |

Source: CLAS

Additionally, representatives of the community organizations contacted during the examination mentioned the lack of affordable rental units and the poor conditions of existing rental units in many of the AA-s low- and moderate-income geographies. They also expressed the need for additional means to expand home ownership in such geographies, including more flexible loan programs to finance home purchases.

Local Economy and Employment

The major industries present in the AA/MSA are health services, business services, engineering and management services, education, and social services. Approximately 2,214,300 individuals are employed among 116,779 business entities operating within the MSA. The retail/wholesale trade and services industry employs the greatest portion (57%) of this employee base with a combined 1.3 million individuals employed by 83,938 establishments.

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Local Economy and Employment (continued)

Job growth in the MSA during 1997 was somewhat less than the previous year; however, overall growth was more evenly distributed across the MSA. The fastest job growth in both the city of Philadelphia and the MSA's surrounding suburbs was in real estate construction. The MSA experienced an increase of nearly 6000 new construction jobs during 1997. Additionally, although the level of manufacturing jobs declined by 3.3% within the city of Philadelphia, nearly 1000 new manufacturing jobs were added within the MSA. The MSA's unemployment rate hovered around 5% through most of 1997, but fell to 4.5% in the final quarter of the year. Although job levels in the MSA increased strongly during the first two months of 1998, the unemployment rate remain unchanged.

Viewed separately, the city of Philadelphia experienced a modest increase in employment levels after nearly a decade of consistent erosion in employment. Notwithstanding the increase, job growth throughout the rest of the MSA was more than twice the city's pace. It is also noted that approximately two-thirds of the city's 366 census tracts have been categorized as low- or moderate-income, based on 1990 census data, with many of these tracts situated in severe economically distressed sections of the city. Additionally, the MSA contains several economically disadvantaged geographies located in Chester, Delaware County; Coatsville, Chester County; Norristown, Montgomery County; Bristol, Bucks County; and Camden, New Jersey, wherein residents and local merchants and small businesses have suffered the loss of major employers and poor housing conditions. Nevertheless, such sectors of the MSA have attracted and continue to attract various persons seeking to start or establish business operations, owing to comparatively low rents for commercial properties and excess availability of same.

Such businesses are deemed a positive economic stimulus to severely distressed low- and moderate-income geographies throughout the MSA. However, many are operated on a cash basis by principals with little or no established personal credit histories. Because of such circumstances, owners of these businesses frequently have difficulty obtaining credit through conventional sources to address expansion needs. In particular, limited documentation of cash flows precludes many viable businesses from meeting the formal underwriting criteria of existing loan programs designated for small businesses within the AA.

It is also noted that the MSA² contains several large commercial banks and thrift institutions. Notwithstanding numerous mergers that have resulted in substantial consolidation among several area financial intermediaries since 1990, the MSA contains 121 banks and thrift institutions, with a total of 1,567 offices and total deposits representing \$70.1 billion. Because of its unique market niche, FCB has not been affected by competition as much as most other financial institutions in the AA.

²

This information is based on the Philadelphia banking market, which includes all of the Philadelphia MSA and part of Mercer county, New Jersey. Data is as of June 30, 1996 and is updated for mergers and acquisitions that have occurred since then.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

A financial institution's loan-to-deposit ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. Essentially, the ratio is a measure of an institution's lending volume relative to its capacity to lend.

FCB's loan-to-deposit ratio is deemed more than reasonable in context of the bank's size, financial condition, and the overall economic conditions and credit needs of the AA in which it operates.

The following table depicts the institution's quarterly loan-to-deposit ratios subsequent to the previous CRA examination, conducted as of September 4, 1996. It also presents an average loan-to-deposit ratio³. FCB's loan-to-deposit ratio averaged 78.6% over the last six quarters compared to a peer average of 69.2%.

| LOAN -TO-DEPOSIT RATIO | | | | |
|--|-----------------------|---------------------------|---------|-------|
| As of | Net Loans (thousands) | Total Deposits(thousands) | Ratio % | Peer |
| 9/30/96 | \$42,696 | \$52,567 | 81.2% | 68.1% |
| 12/31/96 | \$43,544 | \$56,019 | 77.7 | 68.2 |
| 3/31/97 | \$46,307 | \$59,873 | 77.3 | 69.2 |
| 6/30/97 | \$46,924 | \$62,536 | 75.0 | 70.3 |
| 9//30/97 | \$49,587 | \$62,846 | 78.9 | 70.3 |
| 12/31/97 | \$52,600 | \$65,697 | 80.1 | 69.1 |
| Loan to Deposit Ratio Average Since Previous Examination | | | 78.4% | 69.2% |

Source: Uniform Bank Performance Reports.

The bank's overall lending volume is reflective of its efforts to effectively address the credit needs of numerous small businesses operating throughout the AA. FCB maintains a high level of loans relative to both deposits and assets. The December 31, 1997 Uniform Bank Performance Report (UBPR) for the bank indicates a loan-to-deposit ratio of 80.1%, compared to a peer ratio of 69.1%. The next table depicts loan-to-deposit ratios and growth rates in assets, loans, and deposits since year end 1995 and a comparison of same to national peer averages as applicable.

³The quarterly loan-to-deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters shown.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LOAN-TO-DEPOSIT RATIO (continued)

| First Commercial Bank | | | | | | |
|-----------------------|----------|-------|----------|-------|----------|-------|
| | 12/31/97 | | 12/31/96 | | 12/31/95 | |
| | Bank | Peer* | Bank | Peer | Bank | Peer |
| Loan-to-Deposit Ratio | 81.9% | 69.1% | 77.7% | 68.2% | 79.8% | 65.4% |
| Asset Growth | 17.9% | 10.5% | 23.7% | 9.1% | 19.9% | 10.0% |
| Net Loan Growth | 20.8% | 13.1% | 22.3% | 14.4% | 11.7% | 10.5% |
| Deposit Growth | 17.3% | N/A | 25.6% | N/A | 17.2% | N/A |

Source: UBPR.

*Note: Peer data refers to all insured commercial banks with assets between \$50 million and \$100 million with two or less banking offices in a metropolitan area.

The loan-to-deposit ratio was no less than 77% and well exceeded peer averages over the consecutive three year period shown. Loan volume expanded rapidly during 1997 and 1996. The addition of the Upper Darby branch office has largely facilitated the increased loan origination volume, particularly loans originated for sale in the secondary market. Notwithstanding the sharp loan growth, the bank currently maintains a stable deposit base to address ongoing AA credit needs.

The following table presents the bank's loan mix since year-end 1993, reflecting a profile oriented towards commercial lending activities, most of which have been collateralized by real estate.

| LOAN TYPE | 12/31/97 | % | 12/31/96 | % | 12/31/95 | % | 12/31/94 | % | 12/31/93 | % |
|-----------------------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|
| Real Estate | 48,623 | 90.3% | 42,701 | 95.7% | 34,684 | 94.9% | 31,188 | 95.5% | 29,661 | 95.8% |
| Commercial | 4,822 | 9.0 | 1,227 | 2.8 | 1,142 | 3.1 | 726 | 2.3 | 483 | 1.5 |
| Consumer Loans | 342 | 0.6 | 644 | 1.4 | 685 | 1.9 | 692 | 2.1 | 799 | 2.6 |
| Other | 37 | 0.1 | 57 | 0.1 | 22 | 0.1 | 47 | 0.1 | 20 | 0.1 |
| Total | 53,824 | 100% | 44,629 | 100% | 36,533 | 100% | 32,653 | 100% | 30,963 | 100% |

LENDING IN ASSESSMENT AREA

The criterion of this performance category evaluates an institution's lending in and out of its AA. The examination determined that a substantial majority of FCB's loan originations are geographically concentrated within the AA.

The following tables depict the aggregate number and dollar amount of loan origination volume, by product, inside and outside of the AA during the 12 months ended December 31, 1997.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING IN ASSESSMENT AREA (continued)

| Commercial Loan Originations (1997) | | | | |
|-------------------------------------|------------|-----------------|----------------------|-------------|
| | Number | Amount(000's) | Percent of Number | Dollar |
| Inside | 101 | 12,800 | 84% | 76% |
| Outside | 19 | 4,000 | 16 | 24 |
| Total | 120 | \$16,800 | 100% | 100% |

Source: FCB's Internal Records.

| Home Mortgage Originations/LAR (1997) | | | | |
|---------------------------------------|-------------|----------------|-------------------|-------------|
| | Number | Amount (000's) | Percent Number | Amount |
| Inside | 38 | 3,300 | 97% | 97% |
| Outside | 1 | 97 | 3 | 3 |
| Total | 39** | \$3,397 | 100% | 100% |

Source: 1997 LAR

**Note: FCB also originated nine mortgages to finance mix-used properties (i.e. a mixed -use property is one used as both a residential dwelling and place of business) not shown on the 1997 LAR. All but one of such mortgages financed properties in the AA.

| Consumer Loan Originations (1997) | | | | |
|-----------------------------------|--------------------|----------------------------|-------------------|-------------|
| | Number of Loans | Amount (000's) Of Loans | Percent Number | Dollar |
| Inside | 13 | 158 | 87% | 89% |
| Outside | 2 | 19 | 13 | 11 |
| Total | 15 | \$177 | 100% | 100% |

Source: FCB's Internal Records.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

This assessment category examines a bank's distribution of loans extended within its AA to borrowers of differing incomes and businesses of different sizes, with emphasis on low- and moderate-income borrowers and small businesses. For purposes of assessing performance under this category, greater emphasis has been placed upon business size, rather than borrower income, in view of FCB's commercial lending orientation.

Accordingly, it was determined that the bank's lending profile exhibited an excellent penetration among businesses of different sizes, especially small businesses, and borrowers of different income levels, including low- and moderate-income borrowers.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES (continued)

Businesses of Different Sizes

Business size has been measured via an evaluation of lending penetration among small businesses. For purposes of this Evaluation, a small business loan is primarily defined in the same manner as it is in the instructions for preparation of the Consolidated Reports of Condition and Income as filed for regulatory purposes. Additionally, the Evaluation includes an analysis of FCB's lending to businesses with gross annual revenues of less than \$1 million.

Based on the Consolidated Reports of Condition and Income, prepared and filed by FCB as of June 30, 1997, substantially all of the bank's commercial loans (including loans secured by nonfarm/nonresidential real estate), were classified as loans extended to small businesses, detailed as follows.

| Loans Secured by Nonfarm/Nonresidential Properties Outstanding as of June 30, 1997 | | | | |
|--|--------|---------|---------------|---------|
| | Number | Percent | Dollar Amount | Percent |
| With original amounts of \$100,000 or less | 172 | 57% | 9,018 | 23% |
| With original amounts of more than \$100,000 through \$250,000 | 83 | 28 | 12,995 | 34 |
| With original amounts of more than \$250,000 through \$1,000,000 | 44 | 15 | 16,814 | 43 |
| TOTAL | 299 | 100% | \$38,827 | 100% |

In terms of number, loans secured by nonfarm/nonresidential properties originated in amounts of \$100,000 or less comprise the greatest percentage of loans outstanding. As shown, 172 of such loans represented 58% of the total number of loans secured by nonfarm/nonresidential properties, with a dollar aggregate of \$9.0 million outstanding.

| Commercial and Industrial Loans Outstanding as of June 30, 1997 | | | | |
|--|--------|---------|---------------|---------|
| | Number | Percent | Dollar Amount | Percent |
| With original amounts of \$100,000 or less | 20 | 91% | 1,041 | 81% |
| With original amounts of more than \$100,000 through \$250,000 | 2 | 9 | 248 | 19 |
| With original amounts of more than \$250,000 through \$1,000,000 | 0 | 0 | 0 | 0 |
| TOTAL | 22 | 100% | \$1,289 | 100% |

Likewise, the majority of commercial and industrial loans outstanding at mid-year 1997 were originated in amounts of \$100,000 or less. In particular, such loans accounted for 91% of the 22 commercial and industrial loans shown. Also, an analysis of the bank's commercial lending activities during 1997 found that 82% of the 101 business loans originated that year to borrowers operating within the AA were extended to businesses with gross annual revenues of less than \$1 million.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES (continued)

Businesses of Different Sizes (continued)

The foregoing lending profile is indicative of FCB's ongoing efforts to affirmatively address the credit needs of numerous merchants, smaller entrepreneurs and manufacturers, local restaurant owners, and other small family-owned businesses throughout the Philadelphia MSA. In this regard, the bank continues to routinely receive and entertain a plethora of borrowing requests from such entities, a substantial percentage, of which, operate in more economically distressed geographies within the city of Philadelphia.

Additionally, FCB continues to originate a substantial volume of loans to small businesses through its ongoing participation in various loan programs available through the U.S. Small Business Administration (SBA). Since becoming an approved SBA lender in 1994, the bank has originated 39 SBA guaranteed loans in an aggregate amount of \$3.8 million. Fifteen of these loans were originated during the 12 months ended December 31, 1997, subsequent to the previous examination. Such volume of SBA guaranteed loans is noteworthy in context of the diverse array of other financial institutions within the Philadelphia MSA offering such credit.

Borrowers of Differing Incomes

As noted under Description of Institution, the origination of business purpose credit comprises the bulk of FCB's lending activities. Although the bank's origination of home mortgage credit is somewhat limited, FCB continues to originate home mortgage credit, generally on a non-conforming basis, as an accommodation to existing commercial borrowers and others unable to meet conventional mortgage underwriting criteria elsewhere. Accordingly, FCB's home mortgage lending activity during 1997 was primarily utilized to assess lending among borrowers of different incomes relative to applicable AA demographics. A synopsis of home mortgage lending activities during 1996 is also included for purposes of comparison. Such assessment found the bank to have an excellent lending penetration among borrowers of different incomes.

Borrowers of different incomes have been defined by their income relative to the MSA median family income. The 1997 and 1996 adjusted median family incomes for the MSA, as estimated by the U.S. Department of Housing and Urban Development (HUD), are \$51,300 and \$49,300, respectively, which result in the following income categories.

| Year | Median Family Income | Low Income (<50%) | Moderate Income (50%-79%) | Middle Income (80%-119%) | Upper Income (120% or Greater) |
|------|----------------------|--------------------|---------------------------|--------------------------|--------------------------------|
| 1997 | \$51,300 | Less than \$25,650 | \$25,650 - \$41,039 | \$41,040 - 61,560 | \$61,560 or more |
| 1996 | \$49,300 | Less than \$24,650 | \$23,650 - \$39,439 | \$39,440 - 59,159 | \$59,160 or more |

FCB's profile of borrowers within the AA, based upon a distribution analysis of total home mortgage credit originations during 1997 and 1996 and a comparison of same to applicable demographics, is presented as follows.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES (continued):

Borrowers of Differing Incomes (continued)

| Borrower Income Distribution | | | | | | |
|------------------------------|---|---------|---|---------|---|---------|
| Borrower Income Category | *Families Within Income Categories (Philadelphia MSA) | | 1997 (Based on 1997 adjusted median income) | | 1996 (Based on 1996 adjusted median income) | |
| | Number | Percent | Number | Percent | Number | Percent |
| Low | 250,176 | 20% | 14 | 37% | 6 | 18% |
| Moderate | 224,590 | 18 | 10 | 26 | 9 | 27 |
| Middle | 302,101 | 24 | 2 | 5 | 8 | 24 |
| Upper | 491,328 | 38 | 10 | 26 | 9 | 27 |
| Income N/A | N/A | N/A | 2 | 6 | 1 | 3 |
| Total Families | 1,268,195 | 100% | 38 | 100% | 33 | 100% |

*Number of families based on 1990 census data.

| Borrower Income Distribution | | | | |
|------------------------------|---|---------|--|---------|
| Borrower Income Category | *Families Within Income Categories (Philadelphia MSA) | | Total Originations (1997 and 1996, combined) | |
| | Number | Percent | Number | Percent |
| Low | 250,176 | 20% | 20 | 28% |
| Moderate | 224,590 | 18 | 19 | 27 |
| Middle | 302,101 | 24 | 10 | 14 |
| Upper | 491,328 | 38 | 19 | 27 |
| Income N/A | N/A | N/A | 3 | 4 |
| Total Families | 1,268,195 | 100% | 71 | 100% |

*Number of families based on 1990 census data.

Notwithstanding FCB's limited mortgage origination volume, the foregoing distributions are reflective of an excellent lending penetration among all income groups, with a noteworthy penetration among low- and moderate-income borrowers. In relative terms, low- and moderate-income borrowers, combined, represented 63% and 45% of total mortgage originations during 1997 and 1996, respectively; with such borrowers accounting for 54% of total mortgages originated over the combined two year period.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES (continued)

Borrowers of Differing Incomes (continued)

It also bears mentioning that, irrespective of borrower income level, most of the bank's home mortgage lending is comprised of loans extended on a non-conforming basis to persons that have not established significant credit histories. Such loan applicants would likely not be approved mortgage credit from larger institutions. Additionally, it is noted that HMDA data is reflective of borrower income derived from employment verification and other sources considered by the bank to approve a mortgage application. Hence, the borrower income distribution depicted above is deemed an accurate reflection of the bank's overall borrower penetration relative to AA median family income.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans measures an institution's lending presence in low-, moderate-, middle-, and upper-income census tracts (geographies) within its AA. For purposes of this evaluation, the geographic distribution of all of FCB's lending activities during 1997 (inclusive of commercial, home mortgage, and consumer loan originations) were utilized to make an assessment.

Accordingly, the geographic distribution of total lending activities during 1997 is reflective of an excellent dispersion throughout the AA, with substantial percentages of loans originated in low- and moderate-income geographies, relative to applicable demographics.

The following table provides percentage distributions, by geography type, of all commercial, mortgage, and consumer loans originated during 1997.

| First Commercial Bank | | | | | | | | | |
|-------------------------------|-------------------------------------|-----------------------|------|-----------------|------|---------------------|------|------------------|------|
| Census Tract Type (By Income) | AA Population (Percentage by Tract) | 1997 Commercial Loans | | 1997 HMDA Loans | | 1997 Consumer Loans | | 1997 Total Loans | |
| | | No. | % | No. | % | No. | % | No. | % |
| Low | 9% | 15 | 15% | 7 | 19% | 2 | 15% | 24 | 16% |
| Moderate | 17 | 25 | 25 | 16 | 42 | 4 | 31 | 45 | 29 |
| Middle | 45 | 27 | 27 | 10 | 26 | 5 | 39 | 42 | 28 |
| Upper | 29 | 34 | 33 | 5 | 13 | 2 | 15 | 41 | 27 |
| Total | 100% | 101 | 100% | 38 | 100% | 13 | 100% | 152 | 100% |

Analysis under this performance category focused upon the dispersion of loans among low- and moderate-income geographies throughout the AA. While 26% of the AA population resides in such geographies, the analysis determined that 40% of commercial loan originations, 61% of HMDA or home mortgage loan originations, and 46% of consumer originations were originated in these geographies during 1997. Overall, 45% of all loans originated by FCB during 1997 were extended to either commercial borrowers operating

(continued)

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

in low- and moderate-income geographies, or individuals or families residing in same. It is also noted that four or one-half of the eight mortgages, originated to finance mixed-use properties, financed properties located in low- or moderate-income geographies. Such lending profile evidences a substantial response on the part of FCB to address the credit needs of several economically distressed sectors within the city of Philadelphia and throughout the MSA as well.

RESPONSE TO CONSUMER COMPLAINTS

No complaints pertinent to FCB's performance under CRA were received by this Reserve Bank between examinations. The bank's management exercises adequate oversight so as to be cognizant of potential consumer complaints regarding the bank's performance under CRA and adequately address same. Management has indicated that any complaints would be immediately forwarded to and addressed by FCB's CRA Officer. Additionally, such complaints would be shared with, and reviewed by the bank's President and Chief Executive Officer.

COMPLIANCE WITH ANTI DISCRIMINATION LAWS

FCB's credit policies and practices are not indicative of prohibited practices such as pre-screening or the discouragement of applicants for any types of credit that the bank offers. FCB is in compliance with the substantive provisions of federal anti-discrimination laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and other agency regulations pertinent to nondiscriminatory treatment of credit applicants.

The examination determined that the bank solicits credit applications from all demographic segments of its AA, including low-and moderate-income persons and individuals residing or conducting business in low- and moderate-income geographies. Moreover, the examination found no unreasonable lending patterns or evidence that the bank failed to serve its entire AA. FCB's management has formulated commercial and consumer loan policies that evidence the institution's commitment to evaluate and approve credit requests without regard to any prohibited basis. Management has also adopted measures to ensure that bank employees are informed of the requirements of consumer protection statutes and other regulations that prohibit discrimination.