

PUBLIC DISCLOSURE

June 12, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Republic First Bank of Delaware
RSSD - 2791281
WILMINGTON, DELAWARE**

**FEDERAL RESERVE BANK OF PHILADELPHIA
TEN INDEPENDENCE MALL, PHILADELPHIA, PA**

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.

TABLE OF CONTENTS

GENERAL INFORMATION.....	1
DESCRIPTION OF INSTITUTION	2
INSTITUTION'S CRA RATING (CONTINUED)	3
DESCRIPTION OF ASSESSMENT AREA.....	4
SCOPE OF EXAMINATION (CONTINUED).....	5
DESCRIPTION OF ASSESSMENT AREA (continued).....	5
SCOPE OF EXAMINATION (CONTINUED).....	6
DESCRIPTION OF ASSESSMENT AREA (continued).....	6
SCOPE OF EXAMINATION (CONTINUED).....	7
LENDING ACTIVITY.....	7
<u>Loan to Deposit Ratio</u>	7
LENDING ACTIVITY (continued).....	8
<u>Assessment Area Penetration</u>	8
<u>Geographic Distribution of Lending</u>	8
LENDING ACTIVITY (continued).....	9
LENDING ACTIVITY (continued).....	10
<u>Borrower Distribution</u>	10
LENDING ACTIVITY (continued).....	11
LENDING ACTIVITY (continued).....	12
COMPLIANCE WITH FAIR LENDING LAWS	12

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 the safe and sound operation 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 CRA performance of **Republic First Bank of Delaware** prepared by the **Federal Reserve Bank of Philadelphia**, as of **June 12, 2000**. It rates the CRA performance of the institution consistent with the provisions set forth in Appendix A to 12 CFR Part A to 12 CFR Part (d).

INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY**, based upon the findings presented in the following discussion.

The evaluation determined that the lending activities of Republic First Bank of Delaware (Republic First) are generally responsive to the credit needs of its local community. Such assessment was determined through the application of the Small Bank CRA Performance Standards. The evaluation also took into consideration demographic and economic data specific to the assessment area and relevant characteristics of the bank.

Major factors contributing to this rating include:

- Reasonable responsiveness to assessment area credit needs;
- A majority of the bank's loans are made in the bank's assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area;
- The distribution of borrowers reflects a reasonable penetration among retail customers of different income levels; and
- The distribution of loans to small businesses was consistent with the institution's asset size, lending capacity, and business objectives.

DESCRIPTION OF INSTITUTION

Republic First Bank of Delaware, headquartered in Wilmington, Delaware, is a state chartered full-service commercial bank. The bank opened on June 2, 1999 and as of March 31, 2000, had total assets of \$12 million.

Republic First is a wholly-owned subsidiary of Republic First Bancorp, a two-bank holding company, headquartered in Philadelphia, Pennsylvania. First Republic Bank, also headquartered in Philadelphia, Pennsylvania, is the holding company's lead bank. First Republic Bank had total assets of \$574 million as of March 31, 2000, accounting for approximately 98% of consolidated assets of the company. First Republic Bank performs most back room and administrative functions for Republic First Bank of Delaware.

Republic First maintains its sole full-service banking office at 1000 Rocky Run Parkway, Wilmington, Delaware. The office is located in a generally affluent suburban area of Wilmington, situated close to the Pennsylvania border. The bank also operates a loan production office (LPO) at 824 Market Street, Wilmington, Delaware. The LPO is located in the downtown central business district of Wilmington. Although the downtown central business district consists mainly of office buildings and retail stores, it also includes a number of residential areas which are generally low-income, with high minority concentrations.

The institution's target market consists of small- to medium-sized businesses and professionals located in New Castle County, Delaware. The bank's business strategy emphasizes the advantages its small size and community focus give to its ability to provide individualized customer service and flexibility to the individuals and businesses of its community.

The bank offers a variety of commercial and consumer banking services commensurate with a full-service commercial bank. However, a review of the loan portfolio reflects the bank's commercial orientation.

INSTITUTION'S CRA RATING (CONTINUED)

DESCRIPTION OF INSTITUTION (continued)

As of March 31, 2000, gross loans of \$8 million represented 66% of the institution's total assets. The composition of the loan portfolio is presented in the following table:

LOANS	\$	%
Closed-End Secured by Residential Property	\$2,274	28%
Secured by Multifamily Residential Property	\$248	3%
Commercial Mortgages	\$4,385	55%
Consumer Installment	\$150	2%
Other	\$946	12%
GROSS LOANS	\$8,003	100%

It should be noted that not all of the loans classified as secured by residential real estate are necessarily residential mortgage loans. It should also be noted that the vast majority of the bank's credit extensions are for business purposes.

Commercial loans were the most material loan product offered by the bank in terms of both dollars and number of loans.

The deposit composition is presented in the table below:

DEPOSITS	\$	%
Demand Deposit Accounts	\$1,656	18.7%
NOW Accounts	\$23	0.3%
Money Market Deposit Accounts (MMDA)	\$1,406	15.9%
Savings Accounts	\$27	0.3%
Time Deposits under \$100,000	\$4,652	52.4%
TOTAL CORE DEPOSITS	\$7,764	87.6%
Time Deposits of \$100,000 or more	\$1,101	12.4%
TOTAL DEPOSITS	\$8,865	100.0%

Time deposits of less than \$100 thousand were the bank's highest dollar volume deposit product. However, the deposit mix has recently trended toward a greater volume of non-maturity core deposits.

Republic First operates in an extremely competitive banking environment dominated by both large super-regional banks and national specialty-banking organizations. However, there are comparatively few community banks of less than \$100 million. The bank's marketing strategy is generally directed at small- to-medium size businesses and individuals with a focus on individualized customer service.

SCOPE OF EXAMINATION

Republic First's CRA performance was evaluated pursuant to the Interagency Procedures and Guidelines for Small Retail Institutions. The examination included an analysis of the institution's (1) loan-to-deposit ratio; (2) volume of loans extended inside and outside of the bank's assessment area; (3) geographic distribution of loans within its assessment area, with particular emphasis on lending penetration in low- and moderate-income geographies; and (4) extent of lending to borrowers of different incomes, particularly low- and moderate-income borrowers, and businesses of different sizes, particularly small businesses.

The evaluation of Republic First Bank of Delaware's CRA performance covered the period from June 2, 1999, through June 12, 2000. Loan products evaluated included commercial loans and consumer loans. However, since commercial loans represented the most significant loan product during the examination period, they were weighted more heavily at this examination.

DESCRIPTION OF ASSESSMENT AREA

Republic First's assessment area is all of New Castle County, Delaware, which is part of the Wilmington-Newark Metropolitan Statistical Area (MSA).

The bank's assessment area complies with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income geographies. As expected, the bank's small size and de novo status has initially hindered its ability to fully meet the credit needs of its entire assessment area.

Geographic Data

Geographies were classified on the basis of 1990 U.S. Census data to evaluate the geographic distribution of loans.

General Geographic Data

ASSESSMENT AREA DEMOGRAPHICS BY GEOGRAPHY				
Type of Geography	Number of Geographies	Percent	Population of Geographies	Percent
Low-Income	11	9%	17,042	4%
Moderate-Income	23	19%	74,257	17%
Middle-Income	61	51%	238,092	54%
Upper-Income	25	21%	112,555	25%
Total	120	100%	441,946	100%

As illustrated by the preceding table, low- and moderate-income geographies accounted for 28% of the assessment area's total geographies, with 21% of the assessment area population residing within those geographies. The majority of the low- and moderate-income geographies are located within the City of Wilmington.

SCOPE OF EXAMINATION (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Household Income by Geography

The percentage of households contained within designated geographies is generally used as a proxy to estimate demand for consumer credit within such geographies. The following table depicts the distribution of households by geographic designation.

ASSESSMENT AREA HOUSEHOLD DISTRIBUTION BY GEOGRAPHY		
TYPE OF GEOGRAPHY	Number of Households	Percent of Households
Low-Income	5,551	4%
Moderate-Income	28,318	17%
Middle-Income	90,563	55%
Upper-Income	39,672	24%
All Geographies	164,104	100%

As illustrated in the preceding table, the percentage of households within low- and moderate-income geographies is quite low when compared to middle- and upper-income geographies. Only 21% of the assessment area's total households reside in low- and moderate-income geographies while 79% reside in middle- and upper-income geographies.

Geographic Business Data

The percentage of small businesses located within designated geographies is generally used as a proxy to estimate demand for small business credit within such geographies. As illustrated in the following table, the percentage of small businesses within low- and moderate-income geographies is low (26%) when compared to that in middle- and upper-income geographies (74%).

ASSESSMENT AREA SMALL BUSINESS DISTRIBUTION BY GEOGRAPHY		
TYPE OF GEOGRAPHY	Number of Small Businesses	Percent of Small Businesses
Low-Income	1,032	9%
Moderate-Income	1,932	17%
Middle-Income	5,474	48%
Upper-Income	2,990	26%
All Geographies	11,428	100%

Borrower Income Data

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes were classified based upon annually adjusted median family income data, made available by the U.S. Department of Housing and Urban Development.

SCOPE OF EXAMINATION (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Median Family Income

According to 1990 Census Bureau Statistics, the median family income for the assessment area was \$45,216, which was higher than the MSA and state medians of \$44,332 and \$40,252, respectively. The following table shows the number of families by income level designation for the assessment area.

ASSESSMENT AREA DEMOGRAPHICS BY INCOME		
	Number of Families	Percent
Low-Income Families	19,105	17%
Moderate-Income Families	21,215	18%
Middle-Income Families	30,501	26%
Upper-Income Families	44,484	39%
Total Families	115,305	100%

Of the families in the assessment area 35% were designated as low- and moderate-income.

Approximately 33% of low- and moderate-income families reside in low- and moderate-income geographies, while 55% reside in middle-income geographies, with the remaining 12% in upper-income geographies.

Business Size Data

The percentage of businesses with gross annual revenues of \$1 million or less located within the assessment area is generally used as a proxy to estimate demand for small business credit. The following table depicts the distribution of businesses by annual revenues.

ASSESSMENT AREA BUSINESS SIZE DISTRIBUTION		
Annual Sales Volume	Number of Business	Percent of Business
Revenues of \$1 Million or Less	11,428	86%
Revenues of more than \$1 Million	1,906	14%
All Business	13,334	100%

SCOPE OF EXAMINATION (CONTINUED)

LENDING ACTIVITY

Loan to Deposit Ratio

Lending levels are deemed generally strong. As of March 31, 2000, net loans represent 65% of total assets, which was slightly higher than the bank's national peer group average of 63%¹. Additionally, the loan to deposit ratio of 89% was significantly higher than the peer group average of 77%.

A financial institution's loan-to-deposit ratio compares its aggregate loan balances outstanding to its total deposits outstanding, and is a measure of an institution's lending volume relative to its capacity to lend. Republic First Bank of Delaware has maintained a high level of loans in relation to deposits, averaging 118% over the first three full quarters of operation. This high ratio was primarily attributable to an emphasis on lending activity. The ratio of total deposits to average assets of 54% was well below the bank's peer group average of 81%.

The following table depicts Republic First's quarterly loan-to-deposit ratios for the first three full quarters of operation and an average loan-to-deposit ratio. The loan-to-deposit ratio's erratic trend is attributable to the volatility associated with a new bank's ability to attract both stable deposit and lending relationships. The loan-to-deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters.

HISTORICAL LOAN-TO-DEPOSIT RATIO			
AS OF	NET LOANS (THOUSANDS)	TOTAL DEPOSITS (THOUSANDS)	RATIO
9/30/99	1,661	3,107	53.5%
12/31/99	8,561	4,032	212.3%
3/31/00	7,874	8,865	88.8%
LOAN TO DEPOSIT RATIO AVERAGE			118.2%

Source: The Uniform Bank Performance Report prepared by the Federal Deposit Insurance Corporation for use by federal regulators.

The significant increase in loan volume, from \$1.6 million as of September 30, 1999 to \$8.6 million as of December 31, 1999, was partially attributable to loan participations emanating from the holding company's lead bank, First Republic Bank. The increase in deposit volume, from \$4 million as December 31, 1999 to \$8.8 as of March 31, 2000, was primarily due to aggressive pricing and promotion of interest-bearing deposits.

¹ Republic First Bank of Delaware's national peer group consists of all insured commercial banks having assets less than or equal to \$50 million and established within the last three years.

SCOPE OF EXAMINATION (CONTINUED)

LENDING ACTIVITY (continued)

Assessment Area Penetration

An analysis of the bank's lending activity was performed to determine the volume of loans extended inside and outside of the bank's assessment area. This analysis revealed that a majority of the bank's commercial and consumer loans were made within the bank's assignment area, as depicted in the following tables.

Commercial Loans

COMMERCIAL LOAN PENETRATION EXAMINATION PERIOD				
	Number	Percent	Dollars (000's)	Percent
Inside Assessment Area	31	80%	\$6,822	76%
Outside Assessment Area	8	20%	\$ 2,141	24%
Total Loans	39	100%	\$8,963	100%

Consumer Loans

CONSUMER LOAN PENETRATION EXAMINATION PERIOD				
	Number	Percent	Dollars (000's)	Percent
Inside Assessment Area	14	82%	\$402	86%
Outside Assessment Area	3	18%	\$68	14%
Total Loans	17	100%	\$470	100%

Geographic Distribution of Lending

An analysis of the geographic distribution of loans was conducted in an effort to determine the dispersion of loans among different geographies within the bank's assessment area.

The analysis reflected an overall satisfactory distribution throughout the assessment area, including low-and moderate-income geographies.

Small Business

The percentage of businesses located within designated geographies was used as a general proxy for demand.

The bank's distribution of small business loans during the examination period revealed an excellent distribution, as depicted in the following table.

SCOPE OF EXAMINATION (CONTINUED)

LENDING ACTIVITY (continued)

ASSESSMENT AREA SMALL BUSINESS CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Small Businesses	Percent of Small Businesses	Percentage of Loans To Percentage of Businesses
Low-Income	3	10%	1,032	9%	1.1
Moderate-Income	8	26%	1,932	17%	1.5
Middle-Income	10	32%	5,474	48%	.7
Upper-Income	10	32%	2,990	26%	1.2
All Geographies	31	100%	11,428	100%	1.00

As illustrated in the previous table, the geographic distribution of small business loans clearly indicates that the bank has effectively penetrated low- and moderate-income geographies within its assessment area. The percentage of loans as a percentage of small businesses within low- and moderate-income geographies generally exceeded that within middle- and upper-income geographies.

Consumer Loans

Unlike small business loans, the distribution of consumer loans revealed a poor distribution. Of the 14 consumer loans made within the bank's assessment area, none were made within low- and moderate-income geographies. Four (29%) of the loans were made in middle-income geographies, while the remaining 10 loans (71%) were made in upper-income geographies.

Despite the bank's limited time of operation and low level of consumer loans, the lack of any consumer lending activity in low- and moderate-income geographies was determined inconsistent with the geographic characteristics of the assessment area (21% of the assessment area's total households reside in low- and moderate-income geographies while 79% reside in middle- and upper-income geographies). However, the bank's business orientation (one full-service banking facility) and de novo status currently represent a significant challenge for effective delivery of consumer credit within low- and moderate-income geographies.

Summary

The following summarizes the bank's geographic distribution performance in its assessment area:

- The institution's sole full-service banking facility, limited time of operation, and de novo status present numerous challenges to effective delivery.
- The bank's distribution of small business loans revealed an excellent distribution.
- The lack of any consumer lending activity in low- and moderate-income geographies was determined inconsistent with the geographic characteristics of the assessment area, even when the bank's limited time of operation and low level of consumer loans are taken into consideration.

SCOPE OF EXAMINATION (CONTINUED)

LENDING ACTIVITY (continued)

In view of all the relevant data related to the bank's performance, the examination revealed an overall reasonable geographic distribution of loans within the assessment area.

Borrower Distribution

A review of the demographic and economic characteristics of the assessment area, in conjunction with an analysis of consumer and small business lending data, was conducted to ascertain the extent of lending to borrowers of different incomes and to businesses of different sizes.

Consumer Loans

The distribution of borrowers reflected a good penetration among retail customers of different income levels. The percentage of low-, moderate-, middle-, and upper-income families residing in a given assessment area was generally used as a proxy to estimate demand.

From an income distribution standpoint, 35% of the families in the bank's assessment area were designated as low- and moderate-income.

The bank's distribution of consumer loans revealed an adequate distribution to borrowers of different incomes. Of the 14 consumer loans made within the bank's assessment area, three, or 21%, were made to low- and moderate-income borrowers, three, or 21%, to middle-income borrowers, with the remaining eight loans, or 58%, to upper-income borrowers.

Notwithstanding the limited number of loans, the level of consumer loans to low-and moderate-income borrowers was determined generally consistent with the geographic characteristics of the assessment area (35% of the families in the bank's assessment area were designated as low- and moderate-income while 65% were designated as middle and upper income).

In view of all the relevant data related to the bank's performance, the examination revealed a reasonable borrower distribution within the assessment area.

Lending to Small Businesses

A review of the bank's small business lending was also conducted at this examination. The analysis revealed that the distribution of loans to small businesses was consistent with the institution's asset size, lending capacity, and business objectives.

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less. Small business loans are further quantified to identify those loans to businesses with gross annual revenues of \$1 million or less.

SCOPE OF EXAMINATION (CONTINUED)

LENDING ACTIVITY (continued)

Schedule RC-C Part II (Loans to Small Farms and Small Businesses) of the bank's Consolidated Report of Condition and Income as of June 30, 2000 indicates that, on a dollar basis, 83% of the bank's commercial loans were designated as small business loans, as detailed in the following chart.

Commercial Loan Portfolio		
	AMOUNT OUTSTANDING AS OF 6/30/00 (\$000)	PERCENT
Loans with original amounts of \$100,000 or Less	\$87	2%
Loans with original amounts of more than \$100,000 through \$250,000	\$553	13%
Loans with original amounts of more than \$250,000 through \$1,000,000	\$2,935	68%
TOTAL SMALL BUSINESS LOANS	\$ 3,575	83%
Loans with original amounts of Greater than \$1,000,000	\$738	17%
Total Commercial Loans	\$4,313	100%

Small Business Lending in Assessment Area

The following table shows the bank's commercial loan origination profile within its assessment area, for the examination period.

ASSESSMENT AREA LOANS TO SMALL BUSINESSES EXAMINATION PERIOD		
	Number	Percent
Loans with original amounts of \$100,000 or Less	15	48%
Loans with original amounts of more than \$100,000 through \$250,000	8	26%
Loans with original amounts of more than \$250,000 through \$1,000,000	8	26%
TOTAL SMALL BUSINESS LOANS	31	100%

The following table further quantifies small business lending based upon the annual revenue of the business. Small business loans were analyzed to determine whether or not they were made to businesses with gross annual revenues of less than \$1 million. Business demographic data revealed that there were 13,334 businesses, in the bank's assessment area in 1999. Of these businesses, 11,428 (86%) had sales of less than \$1 million.

SCOPE OF EXAMINATION (CONTINUED)

LENDING ACTIVITY (continued)

ASSESSMENT AREA SMALL BUSINESS LOANS BUSINESS REVENUES		
	Number	Percent
Loans to Business with Revenues of \$1 Million or Less	17	55%
Loans to Business with Revenues of more than \$1 Million	14	45%
Total Small Business Loans	31	100%

Of the 31 commercial loans originated in the bank's assessment area during the examination period, 17, or 55%, were originated to businesses with gross annual revenues of \$1 million or less. Moreover, of those 17 loans 8, or 47%, were extended in amounts of less than \$100,000.

Overall, the analysis revealed that the distribution of loans to small businesses was consistent with the institution's asset size, lending capacity, and business objectives.

COMPLIANCE WITH FAIR LENDING LAWS

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), Fair Housing Act, Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.