

GENERAL INFORMATION

The Community Reinvestment ACT (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the 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 Bank of Philadelphia** prepared by the **Federal Reserve Bank of Philadelphia**, as of **October 6, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

COMMUNITY REINVESTMENT ACT ASSESSMENT

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:

This institution is rated **SATISFACTORY**, based upon the findings presented in the following discussion of the bank's performance.

The evaluation determined that the lending activities of First Bank of Philadelphia (FBP) are responsive to the credit needs of its assessment area (AA), as delineated for purposes of CRA, including those of the AA's two low-income geographies and small businesses. Because the bank does not actively offer consumer credit, no assessment was made of lending activities among the AA's low-, moderate-, middle-, or upper-income residents.

Such assessment was determined through the application of CRA Small Bank Performance Standards, as described by section 228.26 of Regulation BB, which implements CRA. Thus, the following criteria have been assessed: the bank's loan-to-deposit ratio; the volume of lending within its AA, the bank's lending penetration among businesses of different sizes, (including small businesses); and the geographic distribution of loans originated by the bank throughout its AA. Additionally, the evaluation took into consideration demographic and economic data specific to the AA and relevant characteristics of the bank.

DESCRIPTION OF INSTITUTION

FBP, which is a full-service commercial bank, maintains its sole banking office and an automated teller machine at 1424 Walnut Street, Philadelphia, Pennsylvania. The bank reported total assets of \$58 million at June 30, 1997, 75%, of which, were loans outstanding. FBP is a member of Money Access Card (MAC) and PLUS, a nationwide ATM system, which provides access through an international network of ATM's. The bank does not impose service charges to its depositors for use of the MAC Plus system.

FBP's business strategy focuses on meeting the credit needs of entrepreneurs, business professionals, and small and medium-sized businesses. As such, the bank offers primarily commercial loans and deposit products and does not routinely engage in home mortgage or other consumer lending.

The bank operates in a very competitive financial services market; 1,217 banks and thrifts serve the Philadelphia Metropolitan Statistical Area (MSA), with an aggregate of 1,597 branch offices. FBP's primary competitors include Beneficial Savings Bank, First Commercial Bank, and Commerce Bank, N.A. Several super-regional banking entities also serve the AA. They are: CoreStates Bank, N.A., Mellon PSFS Bank, PNC Bank, N.A., and Summit Bank.

FBP markets loan and deposit products and banking services to the AA primarily through its sole banking office which is situated in an upper-income census tract in the business district of downtown Philadelphia. The office's business hours are 8:30 am to 4:30 pm, Monday through Friday. Although the location of the bank's office is deemed accessible to all segments of its AA, the office's location and facade is somewhat obscured by its surroundings and could be easily overlooked by passersby.

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA

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

Census Tracts

FBP has designated its AA as 13 census tracts in Philadelphia County, located in the MSA. The MSA includes Bucks, Chester, Delaware, Montgomery, counties in Pennsylvania; and Burlington, Camden, Gloucester, and Salem counties in New Jersey. All 13 tracts are located in the central business district of Philadelphia, known, locally, as Center City Philadelphia. Of the 13 census tracts, two have been designated as low-income; none have been designated as moderate-income, four have been designated as middle-income; and seven have been designated as upper-income.

Income and Housing

Families represent only 24% of the AA's total households, reflective of the AA's overall metropolitan nature and its location in the downtown business district of a major U.S. city. As a comparison, families comprise 71% of total households within both the MSA and the state. Moreover, less than 5% of the AA's families live below the national poverty level, as compared to a poverty measure of 8% for both the MSA and the state.

The following tables present the distribution of the AA's population and families by both census tract and income level, irrespective of census tract.

Type of Geography	Population by Tract in AA	% of Population by Tract in AA	Number of Families in AA	% of Total Families in AA
Low Income	1,789	4	300	4
Moderate Income	0	0	0	0
Middle Income	10,356	23	1,320	19
Upper Income	33,472	73	5,294	77
Total	45,617	100%	6,914	100%

Source: Federal Reserve System Board of Governor's Community Lending Analysis System, (CLAS).

Family Income Type	Number	Percent
Low-Income Families	779	11
Moderate-Income Families	731	11
Middle-Income Families	1,261	18
Upper-Income Families	4,143	60
Total Families	6,914	100%

Source: CLAS

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Income and Housing (continued)

Although families represent less than one-fourth the AA's households, the foregoing data indicates that the majority of the AA's families are upper-income. Indeed, the median family income of the AA is \$60,360, significantly higher than the MSA and state medians of \$41,908 and \$34,856, respectively. Notwithstanding the overall affluence of the AA's families, median household income of \$31,027 is noticeably less than the MSA median, depicted as follows.

Median Incomes:	Assessment Area	MSA	State
Family	\$60,360	\$41,908	\$34,856
Household	\$31,027	\$35,407	\$29,069

Most of the AA's real estate is commercial; residential property consists primarily of larger upscale high rise apartment/condominium complexes situated in upper-income census tracts. Only 23% of the AA's total housing stock is owner-occupied, while 64% is classified as rental units.

Employment and Local Economy

Based on 1990 Census data, 51% of the AA's labor force consists of persons that reside outside of the AA and commute to same for employment. According to data, published by this Reserve Bank, the unemployment rate for the city of Philadelphia for the third quarter of 1997 was 6.8%. Unemployment for the MSA as of March 31, 1997 was 5.5%.

Representatives of two local economic development entities, interviewed as part of the evaluation, concurred that the city of Philadelphia continues to face a number of economic issues. Specifically, they identified the following as primary issues: weaknesses in the city's infrastructure; a dire need for affordable housing for low- and moderate-income families, and flexible lending standards by local financial intermediaries to facilitate affordable housing. Both contacts also indicated a need for the availability of technical assistance to the city's low- and moderate-income segment regarding the fundamentals of banking. Additionally, they noted the need for assistance to women and minorities to establish and operate small businesses. Interviews of several other community sources within the city of Philadelphia by other regulatory agencies have identified the same needs.

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.

Accordingly, the average of FBP's quarterly loan-to-deposit ratios since the previous examination was 86.1% and is deemed reasonable, for purposes of CRA, in context of the bank's size and nature of operations, and the substantial degree of competition among financial intermediaries within both the AA, and the MSA in which FBP operates.

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

LOAN-TO -DEPOSIT RATIO (continued)

The following table depicts the bank's quarterly loan-to-deposit ratios subsequent to the previous evaluation, together with an average loan-to-deposit ratio for the previous six quarters. The average loan-to-deposit ratio 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 %	Peer Ratio %
3/31/96	50,247	55,439	90.6%	66.4%
6/30/96	50,265	54,653	92.0%	68.0%
9/30/96	49,634	53,772	92.3%	68.3%
12/31/96	46,867	62,698	74.8%	68.6%
3/31/97	47,951	55,390	86.6%	69.2%
6/30/97	42,500	53,015	80.2%	70.3%
Loan to Deposit Ratio Average Since Previous Examination (3/11/96)			86.1%	68.5%

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

As shown, FBP's quarterly loan-to-deposit ratios, during the period between examinations, have consistently exceeded national peer¹ averages. The next table presents the bank's loan mix since year end 1994, together with the bank's corresponding loan growth and asset growth rates, and loan-to-deposit ratios as well.

LOAN TYPE	6/30/97	%	3/31/97	%	12/31/96	%	12/31/95	%	12/31/94	%
Real Estate	30,651	71	33,642	69	34,478	72	41,028	79	48,463	89
Commercial	11,821	27	13,833	28	12,054	25	10,435	20	5,178	10
Consumer Loans	0	0	0.00	0	1	0	244	0	161	0
Agricultural	0	0	0	0	0	0	0.00	0	0	0
Other	928	2	1,619	3	1,534	3	369	1	374	1
Total	43,400	100%	49,094	100%	48,067	100%	52,076	100%	54,176	100%
Loan Growth Ratio	-15.5%	PEER 14.6%	-4.6%	PEER 14.6%	-7.3%	PEER 14.8%	-2.0%	PEER 10.6%	-19.12	PEER 10.7%
Asset Growth Rate	-2.5%	10.0%	0.1%	9.2%	11.2%	9.4%	-6.1%	10.3%	-33.4%	5.4%

¹ FBP's national peer group consists of all commercial banking institutions having assets between \$50 and \$100 million with two or fewer banking offices located in a metropolitan area.

Loan/Deposit Ratio	80.2%	70.3%	86.6%	69.2%	74.8%	68.5%	90.3%	65.6%	82.4%	66.1%
---------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

LOAN-TO -DEPOSIT RATIO (continued)

Notwithstanding the bank's comparatively higher loan-to-deposit ratios, relative to its peer group, the negative loan growth rates shown, are reflective of consistently decreasing net loan outstandings, (in dollars), since year end 1994. However, it is noted that such contracted lending activities have been accompanied by moderate decreases in FBP's deposit base.

LENDING IN ASSESSMENT AREA

The criterion of this performance category evaluates an institution's lending in and out of its assessment area (AA). In terms of number, a substantial majority of FBP's loans and lending related activities remain outside its AA.

Such limited penetration of the AA, which is consistent with the lending profile discussed in the previous evaluation, prepared as of March 11, 1996, is mitigated, somewhat, in context of the metropolitan nature of the AA, FBP's size, the somewhat obscured location of its office, and the fact that 51% of the AA's labor force resides outside of the AA.

An analysis of FBP's entire loan portfolio², as of September 28, 1997, indicates that 85% of the bank's loan originations were geographically outside of the AA. The analysis is summarized below.

Loans Inside And Outside The Assessment Area		
	Number	Percent
Inside	136	15
Outside	757	85
Total Loans	893	100%

Additionally, the examination determined that, during the six months preceding the date of examination, the bank originated a total of 54 loans, all, of which, were commercial purpose transactions. Not surprisingly, a sample of 42 of the 54 originations reflected that the geographic distribution of FBP's lending activities during this six-month period were concentrated outside of the AA, summarized as follows.

Loans Inside And Outside Assessment Area April 1, 1997 through September 28, 1997		
	Number	Percent
Inside	8	19
Outside	34	81
Total Loans	42	100%

Although FBP's lending activities are concentrated outside of its AA, most of its loans are, nonetheless,

² Based on an analysis internally prepared by FBP. The accuracy of the analysis was validated as part of the examination.

originated within the nine-county Philadelphia MSA, with a considerable portion of its lending geographically contained within the city of Philadelphia.

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans measures an institution's lending performance in low, moderate, middle, and upper-income geographies within its AA. For purposes of this evaluation, the geographic distribution of FBP's total loan outstandings, within the AA, as of September 28, 1997, was primarily utilized to make an assessment. Additionally, the assessment is supported by the geographic distribution of a sample of all loans originated by the bank during the period April 1, 1997 through September 28, 1997.

Accordingly, the geographic distribution of FBP's lending activities is deemed reasonable, in context of the AA's demographics, economic characteristics, and overall credit needs; and the bank's size, commercial lending orientation, and one-office structure.

The geographic distribution of 136 loans outstanding, at September 28, 1997, originated within the AA, with a comparison of same to the AA's population distribution among different geography types is presented as follows:

Loans Outstanding Within the Assessment Area as of September 28, 1997				
Census Tract Type	Number of Loans	Percent	Population	Percent
Low	5	4	1,789	4
Moderate	0	NA	0	NA
Middle	21	15	10,356	23
Upper	110	81	33,472	73
Total s	136	100%	45,617	100%

The preceding table indicates that, in relative terms, FBP's lending activities among the AA's low-, middle- and upper-income geographies reasonably correspond to the AA's population distribution among same.

Additionally, as noted under **Lending In Assessment Area**, of the 42 loans sampled, that were originated during the period, April 1, 1997 through September 28, 1997, only eight were geographically contained within the AA. Notwithstanding such a limited number of originations, the examination found that two of the eight commercial purpose credit transactions were extended within the AA's two low-income geographies. The following table depicts the distribution of the eight loans by census tract:

Geographic Distribution Of Loans Within Assessment Area		
Census Tract	Number	Percent
Low	2	25
Moderate	0	NA
Middle	1	12
Upper	5	63
Total Loans	8	100%

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

GEOGRAPHIC DISTRIBUTION (continued)

It is also noted that, since the previous examination, the bank formally approved a loan commitment of \$257,500 to provide the interim financing necessary to acquire and renovate several housing units in a low-income census tract, located outside of the AA, but within the North Philadelphia section of the city. Loan proceeds are actually extended to a for profit entity, under contract by the City of Philadelphia, to complete the renovations. Upon renovation, the units will be either sold or rented to qualifying low-income persons. Additionally, FBP originated a loan of \$310,000 to help fund a Philadelphia Housing Authority initiative to rehabilitate and improve a housing project situated in a low-income tract, outside of the AA, in the city's North Philadelphia section. The median family income of that tract is 25% of the MSA median family income.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND 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 a focus on low- and moderate-income borrowers and small businesses. Because of the bank's commercial lending orientation and virtual non-origination of consumer credit, the analysis under this category is limited to lending activities among businesses of different sizes.

Business size has been measured via an evaluation of lending penetration among small businesses. For purposes of this evaluation, a loan to a small business is defined pursuant to the instructions for preparation of the Consolidated Reports of Condition and Income, as filed for regulatory and supervisory purposes.

Accordingly, FBP's commercial borrower profile is reflective of a reasonable distribution of credit among businesses of different sizes, particularly small businesses.

Based on the Consolidated Reports of Condition and Income, prepared and filed by FBP as of June 30, 1997, and June 30, 1996, small business loans (inclusive of loans secured by non-farm/non-residential real estate and commercial and industrial loans) are detailed as follows:

Loans to Small Business as of June 30, 1997 and June 30, 1996						
	Number	Amount Outstanding at 6/30/97	Percent (Number)	Number	Amount Outstanding at 6/30/96	Percent (Number)
Loans with original amounts of \$100,000 or less	45	2,321	40	60	2,803	47
Loans with original amounts of more than \$100,000 through \$250,000	42	5,648	38	45	7,433	35
Loans with original amounts of more than \$250,000 through \$1,000,000	24	11,096	22	23	11,989	18
Total Small Business Loans*	111	19,065	100%	128	22,225	100%

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

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

As shown in the table, loans to small businesses aggregated \$19.1 million and \$22.2 million at June 30, 1997 and June 30, 1996, respectively. Consistent with its marketing focus upon small and medium-size businesses, small business loans, in terms of dollars outstanding, represented the bulk of commercial and industrial loans and loans secured by nonfarm/nonresidential properties, combined, at both June 30, 1997 and June 30, 1996. Specifically, 75% and 74% of FBP's total business purpose loans (i.e., commercial and industrial loans and loans secured by non-farm/non-residential properties, combined) outstanding at June 30, 1997 and June 30, 1996, respectively, consisted of small business loans. That said, in terms of number, loans originated in an amount of \$100,000 or less represented the single largest percentage of loans extended to small businesses, in both 1997 and 1996. Such lending profile evidences an affirmative response to small business credit needs.

Included in its small business lending activities, FBP continues to participate in an arrangement with the U. S. Small Business Administration (SBA) to purchase the guaranteed portion of outstanding loans from the SBA. Such arrangement facilitates additional capital to the SBA, while providing for an interest-bearing asset to the bank. FBP's management indicated that the bank held approximately \$8.0 million of such loans at the date of examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

FBP solicits credit applications from all segments of its AA without regard to any basis prohibited by either the federal Equal Credit Opportunity or Fair Housing Acts. Additionally, management has established lending policies that express a commitment by the bank to evaluate applicants fairly and without regard to any basis prohibited by federal antidiscrimination statutes. No violations of the substantive provisions of the antidiscrimination statutes and regulations were identified.

CONSUMER COMPLAINTS

The bank has not received any complaints relative to its CRA performance since the previous examination.