

# **PUBLIC DISCLOSURE**

(March 11, 1996)

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**FIRST BANK OF PHILADELPHIA  
DSBB - 000003426152  
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 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 March 11, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

### INSTITUTION'S CRA RATING:

The rating is based upon: the institution's high level of loans in relation to deposits, a reasonable geographic distribution of loans throughout the institution's assessment area, and a reasonable distribution of loans to businesses of different sizes.

**DISCUSSION OF INSTITUTIONS PERFORMANCE**

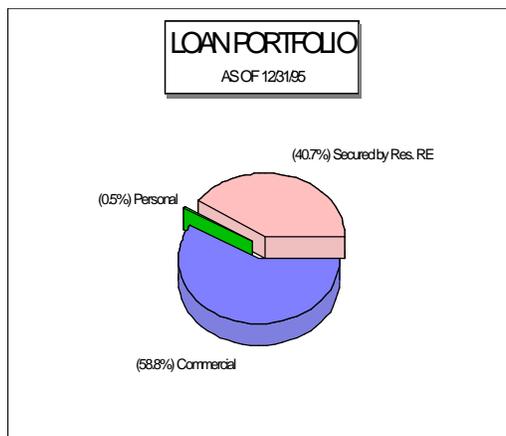
The following chart indicates the performance level of **FIRST BANK OF PHILADELPHIA** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST BANK OF PHILADELPHIA</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area			X
Lending to Borrowers of Different Incomes and Business of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination.		

**DESCRIPTION OF INSTITUTION**

First Bank of Philadelphia opened for business on 7/22/87 as a full-service commercial bank, and is located at 1401 Walnut Street, Philadelphia, Pennsylvania. At this location the bank maintains a branch banking office and an automated teller machine. The bank specializes in meeting the credit needs of entrepreneurs, professionals, and small-to medium-sized businesses. The bank also emphasizes its ability to provide prompt, personalized banking services and products to its customers.

The credit offerings of First Bank of Philadelphia Bank consist primarily of commercial loans. The Uniform Consolidated Statement of Condition and Income as of 12/31/95 revealed total assets of \$60.8 million of which \$52.0 million 86% were loans. An analysis of the loan portfolio composition revealed that commercial loans secured by residential real estate and other business-oriented loans, accounted for the majority of outstanding loans, with consumer loans comprising less than one percent of the portfolio.



**DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)**

**DESCRIPTION OF INSTITUTION (continued)**

Since the previous examination, the bank has extended a limited number of loans. A total of 66 commercial loans were originated during this period, of which 27 were made to a privately-owned company that develops affordable housing. The company acquires, rehabilitates, and sells or rents residential real estate to low- to moderate-income families. All of these community development loans were made in low-income census tracts within Philadelphia. Management indicated that few community development opportunities exist within the bank's assessment area therefore, the bank has taken a proactive approach to address community development opportunities that exist within the city of Philadelphia. These initiatives have been consistent with the overall business objectives of the institution and are within its current financial capacity.

**DESCRIPTION OF FIRST BANK OF PHILADELPHIA'S ASSESSMENT AREA**

The bank's main office is located in the business district of center-city Philadelphia. The assessment area, as described for CRA purposes includes most of the central business district, bounded between the Delaware and Schuylkill Rivers from east to west, and between Vine and Lombard Streets from north to south. The boundaries established are generally equi-distant from the main office.

Management periodically reviews the adequacy of its assessment area in order to ensure that it remains reasonable. During the period between examinations management revised the boundaries of its assessment area in an effort to more accurately describe the primary market of the institution. In determining the appropriateness of its assessment area, management considered (1) the level of its loan and deposit activity, (2) the institution's accessibility, (3) the size of the assessment area in relationship to its asset-size, its financial resources and its central business district location and, (4) the institution's market focus to the small- to medium size-business that are located within the Philadelphia Metropolitan Statistical Area (MSA).

Although the assessment area includes some residential housing, it is primarily comprised of office buildings, local and federal governmental facilities, and an active retail district. The bank's primary delineation is comprised of 12 census tracts, of which 1 or 8.33% has been defined as a low-to moderate-income census tract as defined by the Department of Housing and Urban Development (HUD). The following chart summarizes the bank's primary market's population:

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

DESCRIPTION OF FIRST BANK OF PHILADELPHIA'S ASSESSMENT AREA (continued)

The assessment area population consists of:

	Number	Percentage
Low/Mod Census Tract Population	380	0.86%
Middle Income Census Tract Population	10,356	23.43%
Upper Income Census Tract Population	33,472	75.71%
Market Population	44,208	100.0%

Philadelphia is comprised of 353 census tracts, and based on 1990 census data, 204 or 58% of these are designated as low- to moderate-income tracts, and 105 or 30% are characterized as both low- to moderate-income and minority tracts.

	Number	Percent
Market Population	1,577,815	
L/M Census Tract Market Population	941,329	59.70%

In terms of population Philadelphia is the fourth largest city in the nation. Based on 1990 census data, Philadelphia had a population of 1.6 million and a median household income of \$24.6 thousand.

The traditional economic base of the city has been manufacturing; however, due to recent plant closings, the majority of the local work force is now service-oriented with health care being the most active segment of the economy. The major employers in the Philadelphia area are: the University of Pennsylvania - Education, Research and healthcare - 26,000 employees; Allegheny Health, Education and Research Foundation - healthcare - 9,000 employees; and Thomas Jefferson University - education, research and healthcare - 7,300 employees.

The bank also operates in a highly competitive banking environment that includes many large regional financial institutions.

## DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

#### LOAN TO DEPOSIT RATIO

A review of the bank's lending profile revealed that it continues to reflect a wholesale banking orientation while remaining responsive to the credit identified needs of its community. According to the December 31, 1995 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio equaled 90.25% compared to a peer average of 65.58%, while at 12/31/94 and 12/31/93, it equaled 82.39% and 68.91% respectively. Peer data refers to all insured commercial banks having assets between \$50 million and \$100 million with two or less banking offices, and located in a metropolitan area.

The following chart depicts the loan-to-deposit ratios for a four-year period:

	12/31/95	12/31/94	12/31/93	12/31/92
Loan to Deposit	90.25%	82.39%	68.91%	82.93%

Currently, management entertains a modest number of loan requests in order to effectively manage and maintain the overall business objectives of the bank.

The following chart depicts the institution's quarterly loan to deposit ratios since the last examination. The quarterly loan to deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters since the last examination.

As Of	Net Loans	Deposits	Ratio
06/30/95	\$51,599,000	\$58,299,000	88.51%
09/30/95	\$50,816,000	\$57,364,000	88.58%
12/31/95	\$50,550,000	\$56,012,000	90.25%
Quarterly Loan to Deposit Ratio Average Since Previous Examination			89.11%

As noted in the chart, the bank maintains a balance sheet composition that has a consistently high level of loans in relationship to its deposits. In addition, the ratios of the bank continue to exceed those of its peer group.

#### LENDING IN ASSESSMENT AREA

In an effort to document its lending profile, the bank established a system for monitoring and analyzing the geographic distribution of credit. And, since the bank regularly monitors and analyzes its geographic distribution of credit, the analysis conducted during this examination consisted of an evaluation of this internal monitoring system. The bank performed a geographic analysis of its entire portfolio as of 2/29/96.

DISCUSSION OF INSTITUTIONSS PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING IN ASSESSMENT AREA (continued)

The following chart depicts the bank's lending profile within and outside of its assessment area:

2/29/96

Loans Inside and Outside of Assessment Area		
	Number	Percent
Inside	44	10.0%
Outside	394	90.0%
Total Loans	438	100.0%

Based upon the analysis, it was determined that a majority of the bank's loan were made outside of its assessment area, which consists primarily of the central business district of Philadelphia. (Refer to: Description of Assessment Area) The loan distribution pattern of the assessment area is due, in part, to a reliance on the business development referrals and contacts that have been conducted by senior management and the directorate. Such efforts have resulted in loan originations from individuals and businesses that are located outside of the assessment area however, the loans were often extended to individuals or businesses that were located in low- to moderate-income communities.

A similar analysis was also performed related to the bank's lending penetration within the city of Philadelphia:

2/29/96

Loans Inside and Outside of Philadelphia		
	Number	Percent
Inside	216	49.3%
Outside	222	50.7%
Total Loans	438	100.0%

Based upon this analysis, the lending territory of the bank appears to be considerably more expansive than the assessment area, which may account for the substantial amount of loans, 50.7%, that were dispersed throughout the Philadelphia MSA. Notwithstanding these factors, bank management continues to actively explore all reasonable credit opportunities within its assessment area that are in accordance with its financial capacity and within the framework of its overall business objectives.

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING TO BORROWERS OF DIFFERENT INCOMES

The current loan portfolio of the bank continues to be reflective of the wholesale orientation of the institution. As previously noted, the bank extended a limited number of loans (66) during the period between examinations and originated no consumer or residential mortgage loans. However, based upon a review of bank records, it was determined that in prior years the bank had extended consumer loans to all segments of its assessment area, which includes a low-to moderate income census tract. In addition, a significant portion of the commercial loans that were extended since the previous examination were in amounts of less \$100 thousand. This factor appears to support the business objectives of the bank which are to meet the credit needs of small- to medium-sized businesses.

The income levels of the bank's borrowers within its assessment area are diverse and generally exceed the income levels of the Metropolitan Statistical Area (MSA). The following charts compare the assessment area income to the MSA income.

A low- or moderate-income designation refers to income which is less than 80% of the Metropolitan Statistical Area's (MSA) median family income. The median family income for the Philadelphia MSA is \$41,908 therefore, families with an annual income of less than 80% of the median MSA income (\$33,526), are considered to be in the low- to moderate-income category.

Low /Moderate Income

Less than 80% of the Median MSA  
Income - **Less than \$33,526**

Middle Income

80% to 120% of the Median MSA  
Income - **Between \$33,526 and  
\$50,290**

Upper Income

Greater than 120% of the Median  
MSA Income - **Greater than \$50,290**

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

The median family income for the bank's assessment area was determined to be \$62,380. Borrower incomes were categorized as follows:

Low /Moderate Income                      Less than 80% of the Median Assessment Area Income - **Less than \$49,904**

Middle Income                              80% to 120% of the Median Assessment Area Income - **Between \$49,904 and \$74,856**

Upper Income                              Greater than 120% of the Median Assessment Area Income - **Greater than \$74,856**

LENDING TO BUSINESS OF DIFFERENT SIZES

A small business loan for the purposes of the CRA is a loan that is included in category "Loans To Small Businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. According to the bank's Consolidated Report of Condition and Income (Schedule RC-C Part II- Loans to Small Businesses) as of June 30, 1995, 65% of its commercial loans were classified as small business loans as described in the following chart:

Loans to Small Businesses		
	Amount Outstanding at 6/30/95	Percent
Loans with original amounts of \$100,000 or Less	\$2,621,000	9%
Loans with original amounts of more than \$100,000 through \$250,000	\$7,119,000	26%
Loans with original amounts of more than \$250,000 through \$1,000,000	\$8,169,000	30%
<b>TOTAL "SMALL BUSINESS LOANS"</b>	<b>\$17,909,000</b>	<b>65%</b>
Loans with original amounts of Greater than \$1,000,000	\$9,515,000	35%
<b>Total Commercial Loans</b>	<b>\$27,424,000</b>	<b>100%</b>

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING TO BUSINESSES OF DIFFERENT SIZES (continued)

A review of all commercial loans originated since the previous examination was also conducted to determine the distribution of loans to businesses of different sizes. A review of the 66 commercial loans originated during this period revealed the following distribution:

LOAN SAMPLE		
	Number of Loans	Percent
Loans with original amounts of \$100,000 or Less	50	75.76%
Loans with original amounts of more than \$100,000 through \$250,000	8	12.12%
Loans with original amounts of more than \$250,000 through 1,000,000	8	12.12%
Total Loans with original amounts of \$1,000,000 or Less	66	100%
Loans with original amounts of Greater than \$1,000,000	0	0%
Total Commercial Loans Sampled	66	100%

The distribution of business loans was determined to be consistent with the institution's asset size and lending capacity.

GEOGRAPHIC DISTRIBUTION OF LOANS

The following chart depicts the geographic distribution of the bank's loan portfolio within its assessment area, as of 2/29/96.

Geographic Distribution of Loans Within Assessment Area		
Income Level	Number	Percent
Low/Moderate	0	0%
Middle	10	22.73%
Upper	34	77.27%
Total	44	100.00%

Although the bank did not extend any loans to the one low- to moderate-income census tract within the assessment area, a review of the loans that were originated in Philadelphia, revealed the following geographic distribution.

**DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

**GEOGRAPHIC DISTRIBUTION OF LOANS (continued)**

Geographic Distribution of Loans Within Philadelphia		
Income Level	Number	Percent
Low/Moderate	118	54.6%
Middle	58	26.9%
Upper	40	18.5%
Total	216	100.0%

The analysis revealed that the geographic distribution of loans reflected a reasonable distribution throughout the institution's effective lending area, including low- to moderate income neighborhoods. The analysis also revealed that the institution has made an affirmative effort to extend credit to low- to moderate-income neighborhoods located in Philadelphia. In addition, of the 66 commercial loans extended since the previous examination, 41% loans were extended to a private real estate developer to rehabilitate properties that are located in low- to moderate-income census tracts

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

A review of the bank's credit policies revealed no evidence of prohibited discriminatory practices such as prescreening or the discouragement of applicants for the types of credit that are set forth in the bank's CRA statement. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act and other agency regulations pertaining to nondiscriminatory treatment of credit applicants.

The institution generally solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. A review of bank procedures also revealed that management consistently evaluates credit requests and extends credit without regard to any prohibited basis. Additionally, the bank is not currently engaged in any litigation related to consumer credit statutes.