

PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First City Bank
32721**

**370 West Main Street
New Britain, Connecticut 06052**

Federal Deposit Insurance Corporation

**15 Braintree Hill Office Park Suite 100
Braintree, Massachusetts 02184**

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 financial supervisory agency concerning the safety and soundness of this financial institution.

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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 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 City Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 1, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

A substantial majority of both residential and commercial loans are originated within the bank's assessment area.

Lending to borrowers of different incomes is reasonable. Lending to low- and moderate-income borrowers has increased in 1998 over the previous year.

Lending to businesses of different sizes shows that FCB is serving the needs of businesses of various sizes throughout its assessment area.

Lending in geographies of various income levels is reasonable. Residential lending has increased in low- and moderate-income geographies in 1998.

Loan to deposit ratio, while somewhat low, meets the standards for satisfactory performance. While loans have steadily increased, deposits have increased at a similar rate maintaining the loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

First City Bank (FCB) is a state-chartered commercial bank, which opened in 1989. The bank is headquartered in New Britain, Connecticut and has three branch offices in Berlin, Plainville and Newington. The Newington office is the newest branch having opened in September, 1998. All offices maintain the same hours and offer the same products and services. Lobby hours are 9 AM to 4 PM daily except Thursday when the bank is open until 6 PM. All offices have drive-in facilities which are open from 7:30 AM until 5:30PM and 24 hour accessible ATMs. FCB offers a full range of deposit and credit products including checking, savings and time deposit accounts and commercial, residential and consumer loans. Business loans are available through various Small Business Administration (SBA) guarantee programs. FCB also offers VISA and MasterCard through a local correspondent.

The bank had total assets of \$88,708,000 as of September 30, 1998 and net loans of \$43,575,000. Total assets represent a 51 percent increase over the previous examination in August, 1996. This is in part due to the opening of the new branch office. The bank's primary focus has been on commercial lending, although recently there has been an increasing emphasis on providing residential mortgages. In August, 1997, management hired two residential mortgage originators and the number of HMDA reportable loans increased from 15 originations in 1996 to 51 in 1997 and 105 in 1998. As of September 30, 1998 the bank's loan portfolio consisted of construction and land development loans (3 percent), loans secured by 1-4 family residential properties (40 percent), loans secured by multi-family residential properties (2 percent), loans secured by non-farm, non-residential properties (10 percent), commercial and industrial loans (40 percent), and consumer loans (5 percent).

FCB does not offer any special home mortgage programs for first time homebuyers, either internally or through state or federal programs. As the focus on the residential mortgage market is relatively recent, management has opted to build its expertise before offering targeted programs. FCB retains fixed rate residential mortgage loans in portfolio. Approximately 40 percent of variable rate loans are sold on the secondary market resulting in more funds becoming available for lending within the assessment area.

The bank's Return on Assets ratio as of September 30, 1998 was .93, approximately double its ROA of .47 on September 30, 1997. Tier 1 Leverage Capital stood at 8.56 percent. There are no legal or financial impediments affecting the bank's ability to serve the credit needs of its community.

At the last examination conducted by the FDIC in August 1996, the bank was accorded a rating of "Satisfactory". An examination by the State of Connecticut was done in March 1993 and gave the bank a similar rating.

FCB participates in the Central Connecticut Development Fund, of which the bank's president is a director. This is a revolving loan fund designed to encourage small and mid-sized businesses in the creation and retention of jobs. The fund makes loans up to \$50,000 for manufacturing and

\$10,000 for retail businesses in the towns of Berlin, Bristol, Burlington, New Britain, Plainville, Plymouth and Southington.

Representatives of two local community organizations contacted during the examination were complimentary of FCB's efforts and performance.

DESCRIPTION OF FIRST CITY BANK'S ASSESSMENT AREA

A bank selects an assessment area within which it will focus its lending efforts. The area is used in the FDIC's evaluation of the bank's record of helping meet the credit needs of its community. FCB has designated an assessment area consisting of seven cities and towns, all located in the Hartford Metropolitan Statistical Area (MSA). These include Berlin, Bristol, Farmington, New Britain, Newington, Plainville, and Southington. The area is located in Central Connecticut and is accessible from major highways including Interstate 84 and State Routes 9 and 72. The assessment area contains 61 census tracts including 3 low-income tracts, 13 moderate-income tracts, 37 middle-income tracts, and 8 upper-income tracts. Two moderate-income tracts are located in Bristol with all low-income tracts and the remaining moderate-income tracts located in New Britain.

According to 1990 U.S. Census data, the assessment area has a total population of 258,601. The area includes 100,431 households of which 23 percent are low-income households, 19 percent moderate-income, 22 percent middle-income and 36 percent upper-income. Six percent of the households are below the poverty level. The categories of low, moderate, middle, and upper-income are based on percentage of the Hartford MSA's median family income. Income ranges for 1997 and 1998 were unchanged and are detailed in the table below.

INCOME LEVEL	PERCENT OF MEDIAN FAMILY INCOME	INCOME RANGE 1997 and 1998
Low	Less than 50 percent	Less than 29,450
Moderate	50 percent to 80 percent	29,450 to 47,120
Middle	80 percent to 120 percent	47,120 to 70,680
Upper	120 percent and over	70,680 and over

Also according to 1990 Census data, the assessment area contains 105,483 housing units, of which approximately 61 percent are owner-occupied units and 32 percent are rental units. Figures compiled by the Connecticut Department of Economic and Community Development (CT DECD) show average housing prices based on home sales in 1994 ranging from \$75,578 in

New Britain to \$195,405 in Farmington. Average housing prices in Hartford County and for the State of Connecticut for the same period were \$135,158 and \$171,382 respectively.

The bank faces heavy competition from other financial institutions. There are offices of 13 banks and 17 credit unions throughout the assessment area including four banks headquartered in towns within the assessment area.

In 1997, the bank ranked thirty-first in home loan originations within its assessment area with a .78 percent market share. The top five lenders were Webster Bank, American Savings Bank, Southington Savings Bank, Eagle Bank, and People's Bank, with market shares ranging from 4.09 percent to 9.34 percent. All are much larger than FCB. A total of 215 lenders originated at least one home loan within the assessment area with the top five accounting for 29 percent of all loans originated that year.

Unemployment rates in the assessment area, according to data compiled by the State of Connecticut Bureau of Labor Statistics as of December, 1998, ranged from 2.1 percent in Farmington and Newington to 4.5 percent in New Britain. The rate in New Britain is the fifth highest in the state behind Hartford, Bridgeport, Killingly and Voluntown. Major employers in the area include large corporations, major medical facilities, and insurance companies. These include the Stanley Works in New Britain, New Britain General Hospital, Bristol Hospital, ESPN, Inc. in Bristol, the State of Connecticut Department of Transportation in Newington, and John Dempsey Hospital and Allstate Insurance Company in Farmington. Data compiled by the CT DECD for 1995 showed a total of 6,788 business establishments located in towns within the assessment area, with the largest segment being service related businesses. Approximately 49 percent of these establishments were located in towns where the bank maintained a branch office.

The economy within the Hartford MSA has stabilized. Unemployment figures are low, primarily due to the tight labor market in the state. Manufacturing has shown marginal job creation over the past few years, but mergers of insurance companies and financial institutions have taken their toll on jobs in the area. High costs of doing business have also hampered the influx of new businesses into the area.

New Britain, where FCB is headquartered, has historically been a manufacturing city. In recent years it has suffered the ills of many cities in the Northeast. The downtown area has lost business to area malls and manufacturing has faced strong competition from other areas of the country and the world. Population, according to data compiled by the Connecticut Department of Economic and Community Development, dropped five percent between 1990 and 1995 and this trend is expected to continue through the year 2000.

New Britain has sizeable ethnic populations, particularly Polish, and has a sizeable Hispanic population. Bank employees speak Polish and the bank has advertised on radio stations targeted to Polish and Spanish speaking individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Small banks (banks with total assets less than \$250 million that are not owned by a holding company with assets exceeding \$1 billion) are rated using five criteria: loan-to deposit ratio, lending inside and outside the assessment area, geographic distribution of loans, lending to borrowers of different incomes and businesses of different sizes, and response to complaints. The evaluation of FCB's lending performance is based on a review of the bank's two major loan categories.

All loans reported on the bank's Home Mortgage Disclosure Act Loan Application Register (HMDA – LAR) for 1997 and 1998 were included in the analysis. Loans reported in 1996 were not included for two reasons. The last examination took place as of August 12, 1996 and included loans made in 1996 through that period. Also, only 12 HMDA reportable loans were originated in 1996, so inclusion of this data would not materially change the distribution analysis.

In addition, a random sample of loans reported by the bank as commercial and industrial loans on its Report of Income and Condition was utilized. The sample consisted of 38 loans originated in 1997 and 1998 out of a total universe of 242 commercial loans. All loans in the universe were in original amounts less than \$1 million.

LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA

FCB meets the requirements for satisfactory performance in lending within its assessment area. A substantial portion of FCB's loans has been originated within its assessment area indicating a good responsiveness to local credit needs. A review of the bank's HMDA reportable loans for 1997 and 1998 revealed that approximately 81 percent of the number and 78 percent of the dollar volume were originated inside its assessment area. In a review of a sample of 38 commercial loans for the same two years, approximately 74 percent of the number and 83 percent of the dollar volume were within the assessment area. The tables below detail lending for the combined two years for both types.

RESIDENTIAL LENDING				
	Number of Loans	Percent of Number	Dollar Volume (000)	Percent of Dollars
Inside	127	81.4	8,724	78.4
Outside	29	18.6	2,407	21.6
Total	156	100.0	11,131	100.0

COMMERCIAL LENDING				
	Number of Loans	Percent of Number	Dollar Volume (000)	Percent of Dollars
Inside	28	73.7	2,174	83.2
Outside	10	26.3	440	16.8
Total	38	100.0	2,614	100.0

LENDING TO BORROWERS OF VARIOUS INCOMES AND BUSINESSES OF DIFFERENT SIZES

FCB meets the standards for satisfactory performance in lending to borrowers of various incomes and businesses of different sizes. The following tables reflect the distribution of the number and dollar volume of residential real estate loans originated by the bank in 1997 and 1998 by borrower income category. For comparison purposes, the percent of family households in the assessment area in each income category is also included. Although the table shows that 18.2 percent of families are low-income, a review of 1997 market data showed that approximately 9.3 percent of home loans by all other lenders were made to low-income borrowers. While the bank is still below market data, its distribution in this category appears more reasonable. Also, the table displays data for 1997 and 1998. FCB's total originations approximately doubled in 1998 and show an increase in lending to low- and moderate-income borrowers over the previous year. Combined lending to low- and moderate-income borrowers increased from 21 percent in 1997 to nearly 29 percent in 1998. The increase in residential lending corresponds with the hiring of two mortgage originators in mid-1997. If the positive trend as demonstrated in the table continues, originations to low- and moderate-income borrowers should continue to increase.

RESIDENTIAL LENDING					
Income Level	Percent Families	1997 Number	1998 Number	Total	Percent of Total
Low	18.2	3	6	9	7.1
Moderate	20.2	6	18	24	18.9
Middle	28.2	14	20	34	26.8
Upper	33.5	15	37	52	40.9
Income NA		5	3	8	6.3
Total	70,268	43	84	127	100.0

RESIDENTIAL LENDING					
Income Level	Percent Families	1997 Dollar Volume	1998 Dollar Volume	Total	Percent of Total
Low	18.2	143	204	347	4.0
Moderate	20.2	497	1,016	1,513	17.3
Middle	28.2	638	1,289	1,927	22.1
Upper	33.5	1,058	3,021	4,079	46.8
Income NA		327	531	858	9.8
Total	70,268	2,663	6,016	8,724	100.0

FCB also participates in a banker's pool, which is tied to Neighborhood Housing Services of New Britain. The pool, which now consists of five banks, provides funding for rehabilitation of multi-family housing units in the city. FCB's share is 10 percent of each loan originated. Currently, the pool has 10 loans outstanding. FCB's participation in the pool provides evidence of its efforts to contribute to affordable housing within its assessment area.

The table below illustrates the distribution of commercial lending by gross annual revenues of the business. In reviewing the sample of 38 commercial loans for 1997 and 1998, the 28 loans originated within the assessment area are detailed in the table below based on gross annual revenues of the borrower. As can be seen from the table, approximately 64 percent of the loans were to businesses with gross annual revenues under \$1 million. Of these, the distribution among businesses of different sizes appears reasonable.

COMMERCIAL LOANS				
Gross Revenues	Number	Percent	Dollar Volume	Percent
Less than \$100,000	5	17.9	115,175	5.3
\$100,000 to \$250,000	5	17.9	67,874	3.1
\$250,001 to \$500,000	5	17.9	545,150	25.1
\$500,001 to \$1,000,000	3	10.7	670,000	30.8
Over \$1,000,000	10	35.7	776,384	35.7
Total	28	100.0*	2,174,583	100.0

*Differences due to rounding.

Also noted is the fact that FCB participates in various programs offered through the Small Business Administration (SBA). In 1997 and 1998, the bank originated three loans under the SBA's 7A program totaling \$160,000 and five loans under the SBA 504 program totaling \$2,483,050.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank meets the standards for satisfactory performance and has achieved a reasonable distribution of loans within geographies of different income classifications. As illustrated in the tables below, lending in low- and moderate-income census tracts is below the percentages of households within these tracts. However, based on 1990 U.S. Census data, the percentage of rental housing within these tracts is 75 percent and 58 percent respectively indicating a potentially lower demand for housing loans in these areas. This is also supported by 1997 market data which shows that approximately 0.6 percent and 10.8 percent of loans by all other reporting lenders were originated in low- and moderate-income tracts respectively. Also noted is the increase in lending in low- and moderate-income tracts by the bank in 1998, which is evidence of a positive trend.

RESIDENTIAL LOANS					
Income Level (# Tracts)	Percent Households	1997 Number	1998 Number	Total	Percent of Total
Low (3)	3.3	0	1	1	0.8
Moderate (13)	21.3	2	8	10	7.9
Middle (37)	62.8	32	22	84	66.1
Upper (8)	12.7	9	23	32	25.2
Total	100,431	43	84	127	100.0

RESIDENTIAL LOANS					
Income Level (# Tracts)	Percent Households	1997 Dollar Amount	1998 Dollar Amount	Total	Percent of Total
Low (3)	3.3	0	10	10	0.1
Moderate (13)	21.3	137	479	616	7.1
Middle (37)	62.8	1,712	3,530	5,242	60.1
Upper (8)	12.7	814	2,042	2,856	32.7
Total	100,431	2,663	6,061	8,724	100.0

The following table details the distribution of commercial loans throughout geographies of different income classifications. Based on the distribution, it appears that the bank is making loans in all segments of its assessment area.

COMMERCIAL LENDING				
Income Level (# Tracts)	Number	Percent	Dollar Volume	Percent
Low (3)	2	7.1	75	3.5
Moderate (13)	8	28.6	749	34.4
Middle (37)	16	57.1	1,290	59.3
Upper (8)	2	7.1	60	2.8
Total	28	100.0*	2,174	100.0

*Differences due to rounding.

LOAN TO DEPOSIT RATIO

The bank's loan to deposit ratio over nine quarters since the last examination meets the standards for satisfactory performance. The ratio has averaged 54.6 percent and has remained relatively steady, ranging from a low of 52.4 percent as of March 31, 1997 to a high of 56.8 percent as of December 31, 1997. Management stated that they have been struggling to increase lending as evidenced by the increased emphasis on residential loans in the past eighteen months. Although net loans have increased since the last examination by approximately 56 percent, deposits have similarly increased by 53 percent, maintaining the somewhat low loan to deposit ratio. Management was unable to explain the increase in deposits, although several millions of dollars resulted from the opening of the Newington office. Management assumes a large portion of the remainder may be the result of the loss of several community banks in the area through mergers and acquisitions.

RESPONSE TO COMPLAINTS

The bank has not received any CRA-related complaints since the last examination.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the examination.

APPENDIX A

Definitions

Census Tract

Census tracts are small, relatively permanent statistical subdivisions of a county. Census tracts usually have between 2,500 and 8,000 persons and are designed to be similar with respect to population characteristics, economic status, and living conditions.

Household

A household includes all the persons who occupy a housing unit. A housing unit is a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, is intended for occupancy) as separate living quarters.

Home Mortgage Disclosure Act Loan Application Register (HMDA LAR)

The HMDA LARs record all applications received in a calendar year for residential purchase, home improvement, and refinance of both.

Metropolitan Statistical Area (MSA)

A large population area that has a high degree of economic and social integration. The MSAs are designated by the Federal Office of Management and Budget. The total population in an MSA in New England must be at least 75,000.

Net Loans

The amount of the bank's total outstanding loans less the amount of any unearned income on outstanding loans.

APPENDIX A (Continued)

Median Family Income (MFI)

That income which is determined by the U.S. Census Data to be the middle income of all incomes collected in a given Metropolitan Statistical Area (MSA) or non-MSA.

The following table displays the estimated median family incomes for 1996, 1997, and 1998 that were relied upon in this report.

Metropolitan Statistical Area	1997	1998
Hartford, Connecticut MSA	\$53,000	\$53,000
Non-metropolitan areas in Connecticut	\$58,900	\$58,900

Low-Income

Category of income which is less than 50% of the median family income for the MSA or non-MSA.

Moderate-Income

Category of income which is at least 50% and less than 80% of the median family income for the MSA or non-MSA.

Middle-Income

Category of income which is at least 80% and less than 120% of the median family income for the MSA or non-MSA.

Upper-Income

Category of income which is 120% or more of the median family income for the MSA or non-MSA.