



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

FNB Bancorp / First National Bank of Northern California

Person to be contacted regarding this report:	David Curtis	RSSD: (For Bank Holding Companies)	
CPP Funds Received:	\$12,000,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	18767
Date Funded (first funding):	2/27/2009	City:	South San Francisco
Date Repaid ¹ :		State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	
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<input type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>The Bank purchased \$1,928,283 on 03/29/2009 in HUD qualified low income MBS securities that collateralized low income loans in our lending territory (San Mateo and San Francisco Counties).</p>
<input type="checkbox"/>	<p>Make other investments</p>	
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>The CPP funds did provide us an additional capital cushion that allowed us to increase our allowance for loan and lease losses by a material amount during 2009.</p>

☒	Reduce borrowings	We significantly reduced our FHLB borrowings during 2009. Funds used to reduce these borrowings were partially obtained from CPP sources.
☐	Increase charge-offs	
☒	Purchase another financial institution or purchase assets from another financial institution	The CPP funds provided capital funding that enhanced our capital position and allowed us to purchase multifamily loans and owner occupied CRE loans of \$19,697,719 and \$1,223,944 on 09/17/2009 and 02/22/2010 from Tamalpais Bank.
☒	Held as non-leveraged increase to total capital	A portion of the CPP funds received were held in capital as a non-leveraged increase in total capital

What actions were you able to avoid because of the capital infusion of CPP funds?

We were able to increase our total risk weighted capital position to over 14% and increase our allowance for loan and lease losses to nearly 2%. Unfortunately, we received a safety and soundness regulatory examination by the OCC that was initiated in April, 2009 which resulted in a regulatory examination report that was issued 11 months later (in March, 2019) where the OCC criticized our organization for having capital levels that were less than satisfactory, despite receiving CPP funds, with their approval, sixty days before the start of their examination. The Board of Directors and management do not agree with the findings of the OCC's report and are considering appealing the conclusions stated in the report of examination to the Ombudsman's office of the OCC.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We have been able to continue to take in deposits and grow our institution. Unfortunately, lending efforts have been hampered by the OCC's position that our CRE concentrations, at 435% of capital, are excessive. Until the OCC accepts our capital position as adequate and allows us to make additional CRE loans, we expect our overall loan totals to decline.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

*** NONE *** Constraint: the Office of the Comptroller of the Currency.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.