



LIMITED PURPOSE

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

June 4, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Citizens Bank, N.A.
Charter Number 24344**

**110 Church Ave., Suite 310
Roanoke, VA 24011**

**Comptroller of the Currency
Credit Card Bank Supervision
1117 Perimeter Center West, Suite W401
Atlanta, GA 30338-5417**

NOTE: This document is an evaluation of this 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. 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.

Institution's Community Reinvestment Act (CRA) Rating:

This institution is rated Satisfactory.

The conclusions for the three rating criteria are:

- The level of qualified community development investments and services is adequate.
- The bank has not used innovative or complex qualified community development investments or services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from October 1, 2002 through June 4, 2004. We reviewed the level and nature of qualified community development investments and services. At the bank's request, we also considered qualified investments provided by its affiliate. This is the first CRA examination since the bank was chartered on October 1, 2002.

Description of Institution

First Citizens Bank, N.A. (FCB-NA) was chartered on October 1, 2002 as a Competitive Equality Banking Act (CEBA) credit card bank. FCB-NA received its designation as a limited purpose institution for CRA purposes on September 24, 2002. CEBA banks are restricted from participating in most activities common to full service banks and primarily engage in credit card operations. CEBA banks may only accept savings and time deposits in amounts of \$100,000 and greater. Additionally, they may not engage in the business of making or purchasing commercial, residential, or retail oriented loans, with the exception of credit card loans. This prohibition significantly limits FCB-NA's ability to help meet community credit needs within its assessment area. See page five for the definition of a CEBA bank.

FCB-NA may only engage in community development activities relating to qualified investments and services due to legal restrictions. FCB-NA's ability to provide community development services is limited due to the specialized nature of employees' financial expertise. FCB-NA's parent company has provided some avenues for qualified investments.

FCB-NA is a \$230 million financial institution located in Roanoke, Virginia. It has no branches. FCB-NA is a wholly owned subsidiary of First-Citizens Bank & Trust Company, an \$11 billion full-service financial institution headquartered in Raleigh, North Carolina with over 330 branches in North Carolina, Virginia, and West Virginia. FCB-NA's activities are limited to issuing and processing retail credit cards and merchant accounts for affiliate banks, First-Citizens Bank & Trust Company, Southern Bank and Trust Company, and IronStone Bank.

Table 1 provides financial information designed to provide a perspective on the bank's capacity to help meet the needs of the assessment area. FCB-NA retains its receivables. See pages five and six for definitions of terms.

Table 1: Financial Information (000s)

	Year-end 2002	Year-end 2003	Most Recent Quarter-end 03/31/2004**	Average for Evaluation Period
Tier 1 Capital	\$44,021	\$50,766	\$51,976	\$48,921
Total Income	\$54,592	\$57,086	\$57,256	\$56,311
Net Operating Income	\$6,874	\$6,268	\$3,844	\$5,662
Total Assets	\$223,503	\$230,670	\$214,496	\$222,889

Source: Consolidated Report of Condition and Income and bank reported data. **Annualized data reported.

Description of Assessment Area

FCB-NA's assessment area consists of Roanoke County, Virginia, which includes the cities of Roanoke and Salem. The assessment area is reasonable, conforms to regulatory requirements, and does not exclude any low- and moderate-income areas. Roanoke County includes suburban and rural areas. The assessment area population was 205,436 in the 2000 Census, up 3% from the 1990 Census. The HUD updated median family income for 2003 was \$54,400 compared to the 1990 Census median family income of \$35,810. Approximately 10% of the population lives below the poverty level.

Economists at Virginia Commonwealth University's Center for Urban Development prepared a 2003 economic highlight report for the Commonwealth of Virginia. The report concludes that Virginia's economy transitioned from recessionary conditions in Fiscal Year 2002 to an economy showing positive signs of growth in Fiscal Year 2003. The unemployment rate for the Roanoke MSA, which includes the assessment area, has been lower than both the Commonwealth of Virginia and the United States over the evaluation period. As of April 2004, the unemployment rate for the Roanoke MSA was 2.8%, compared to 3.1% for the Commonwealth of Virginia and 5.4% for the United States. The largest employment sectors in the Roanoke MSA in order of total employment are: trade, transportation, and utilities; education and health services; professional and business services; government; and manufacturing.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	44***	7%	20%	48%	23% #
Families	55,829	18%*	20%*	24%*	38%*
Businesses	13,512	5%**	21%**	50%**	24%**

Source: Demographic Data - 2000 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. ***One census tract has not been assigned an income classification.

Due to rounding, these numbers do not total 100%.

We determined credit and non-credit needs of the assessment area by contacting representatives of two organizations, a small business incubator and the Roanoke Rehabilitation and Housing Authority. Additionally, we reviewed the websites of several community development organizations that operate in the assessment area. Assessment area needs include the following:

- Affordable housing;

- Financial literacy training;
- Credit counseling and rehabilitation;
- Social services targeted at low- and moderate-income families (childcare, healthcare, job training, transitional services, and repairs for owner-occupied low-income homes); and
- Small business loans for fixed asset acquisition and working capital usually in amounts less than \$20,000.

Opportunities for qualified community development investments are primarily limited to grants and donations due to strong competition from large full-service banks for relatively scarce investments such as affordable housing mortgage backed securities and low-income housing tax credits. Opportunities for qualified community development services are plentiful.

Conclusions About Performance

Summary

Level of Activity

FCB-NA's level of qualified community development investments and services is adequate given available opportunities, competition from full-service banks, legal restrictions, and the unique nature of its operations. FCB-NA and its affiliate have made \$1.1 million in qualified community development investments during this relatively short evaluation period. Additionally, FCB-NA provided services that target social service needs of low- and moderate-income individuals and families.

Innovative or Complex Activities

FCB-NA has not used innovative or complex qualified community development investments and services within the assessment area during the evaluation period. However, bank management demonstrated significant effort in locating a qualified affordable housing mortgage backed security.

Responsiveness to Identified Community Development Needs

FCB-NA has exhibited adequate responsiveness to the credit and community development needs of the assessment area. The bank has contributed to the availability of home purchase loans for affordable housing and has supported the credit counseling, youth development, and childcare needs of low- and moderate-income individuals and families.

Qualified Investments

Tables 3 and 4 summarize FCB-NA's qualified community development investments and compare the dollar amounts to indicators of its financial capacity. The majority of total qualified investments is represented by an affordable housing mortgage backed security that was purchased by FCB-NA's affiliate and made available for consideration in FCB-NA's CRA performance. Management's efforts to identify a qualified security to purchase illustrate the relative scarcity of these types of investments.

Table 3: Qualified Investment Activity (000s)

	Benefits AA *
Originated Investments	\$1,050
Originated Grants	\$4
Prior-Period Investments that Remain Outstanding	Not Applicable
Total Qualified Investments	\$1,054

* AA = assessment area

Table 4: Qualified Investment Percentages

	Benefit AA * (%)
Total Investments/Average Tier 1 Capital	2.2%
Total Investments/Average Total Income	1.9%

* AA = assessment area

Qualified community development investments made during the evaluation period are as follows:

- \$1,049,528 affordable housing mortgage backed security. The investment is backed by fourteen home mortgage loans in Roanoke, thirteen of which are to low- and moderate-income borrowers.
- \$3,500 donation to a consumer credit counseling agency in the assessment area. This non-profit agency offers free credit counseling, which is a valuable service for all consumers, but especially low- and moderate-income persons who might otherwise lack viable alternatives to resolving credit problems.

Community Development Services

FCB-NA provided two community development services during the evaluation period.

- A bank employee chairs the Child Care Panel of the United Way. She uses her financial expertise in service to this organization by reviewing finances and budgets of child-care agencies in the annual allocation process. The majority of allocated funds are awarded to organizations that specifically target children of low- and moderate-income families.
- A bank employee uses her financial services sales background to conduct fund raising activities for a non-profit organization that provides social services to low-income children. Sixty-one percent of the children in the program live in households below the poverty level. Ninety-four percent of the children receive free or reduced-price lunches.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Block Numbering Area (BNA) – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

CEBA – Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a “bank holding company” under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

Census Tract (CT) – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD) – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) – The statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography – A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution – An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

Median Family Income (MFI) – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Area (MA) – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

Qualified Investment - A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Tier 1 Capital – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.