



Comptroller of the Currency
Administrator of National Banks

250 E Street, SW
Washington, DC 20219
202-874-5060

Licensing Activities

Conditional Approval #1047
October 2012

September 4, 2012

Mr. Jim D. Black
President
First National Bank of Northern California
975 El Camino Real
South San Francisco, California 94080

Subject: Application to merge Oceanic Bank, San Francisco, California into
First National Bank of Northern California, Daly City, California
OCC Control Number 2012 WE 02 0010

Dear Mr. Black:

The Comptroller of the Currency (OCC) hereby conditionally approves your proposal to merge Oceanic Bank, San Francisco, California into First National Bank of Northern California (FNBNC), Daly City, California. This approval is based on a thorough review of all information available, including commitments and representations made in the application, merger agreement and those of your representatives.

This approval is subject to the following special conditions:

- The bank must divest of the Guam branch within six months of the date of consummation, unless extended by the OCC.
- Within 30 days of consummation of this transaction, the bank shall submit a plan to the San Francisco Field Office, for its review and supervisory non-objection, listing the high risk account activities and transactions previously conducted by Oceanic Bank and FNBNC's timeframes for ceasing such activities. In no case shall the timeframes exceed 90 days from the consummation of this transaction. The bank shall also include any activities it plans to continue and must receive supervisory non-objection from the field office to continue these activities.

The conditions of this approval are conditions "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

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Because the main offices of FNBNC and Oceanic Bank are in California at the time of the merger, FNBNC is authorized to acquire Oceanic Bank by merger pursuant to 12 U.S.C. § 215a, which governs mergers by national banks and state banks located within the same state. Section 215a(d) provides that where a merger involves a state bank, the merger may not be undertaken in contravention of state law. California law affirmatively permits state banks to merge into national banks.¹ Consequently, this merger is legally authorized under 12 U.S.C. § 215a, subject to the factors set forth in the Bank Merger Act (BMA) and the banks' record of compliance with the Community Reinvestment Act (CRA).

The OCC reviewed the proposed merger transaction under the criteria of the BMA, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not significantly lessen competition. The OCC considered the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served, 12 U.S.C. §1828 (c)(5). The OCC must also consider the effectiveness of the banks in combating money laundering activities, 12 U.S.C. § 1828 (c)(11) and records of compliance with the CRA, 12 U.S.C. § 2903(a)(2). Finally, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system, 12 U.S.C. § 1828(c)(5) (as amended by section 604 of Dodd-Frank Act). We considered these factors and found them consistent with approval.

The district office must be advised in writing in advance of the desired effective date for the merger so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period and any other regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A Secretary's Certificate from each institution, certifying that a majority of the board of directors approved.
- An executed merger agreement.
- A Secretary's Certificate from each institution, certifying that shareholder approvals have been obtained, if required.
- Documentation that all other conditions that the OCC imposed have been met.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the

¹ Cal. Fin. Code § 4901(a).

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bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

All correspondence regarding this application should reference the control number. If you have any questions, please feel free to contact David Finnegan, Senior Licensing Analyst, at (720) 475-7650 or by email at david.finnegan@occ.treas.gov.

Sincerely,

Stephen A. Lybarger

Stephen A. Lybarger
Deputy Comptroller

Enclosure: Survey Letter