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Message from the CEO

The rains have finally stopped, and we're all beginning to dry out with the long sunny days. yes, I think it's safe to say that Summer has truly arrived—so we thought what better time to tell you about our involvement in a couple of very positive community programs. To begin with, there is the Coastside adult Day Health Center of Half Moon Bay, devoted to helping Seniors—with physical/mental conditions that require extra care—remain in their homes. We've been associated with the center for fifteen years. another worthwhile project is a film to support the 150th anniversary of our own San Mateo County, produced by the San Mateo County Historical association. This film will chronicle the county's growth over the last 150 years.

When we say, “family bank”, we also mean the small business family—which is why we have included an article explaining how our Preferred Lender Status with the Small Business administration helps cut red tape for small business loans. and last, you'll find the second in our series of articles on the changing face of banking, post 9/11.

Outstanding customer service is a constant goal with FnB, and in this spirit, if you have any questions or comments please feel free to contact me at tmcgraw@familybank.com or 650-875-4865.

Sincerely,



Tom McGraw, CEO



Janie Bono

Coastside adult Day Health Center • Keeps Seniors Independent

Caring for frail, elderly, and disabled seniors so they can remain in their homes lies at the heart of Coastside adult Day Health Center (CaDHC) in Half Moon Bay. The idea is to help this group remain as independent and healthy as possible when advancing years or physical/mental conditions call for extra care. “The greatest fear of most seniors is going into a nursing home,” says CaDHC Executive Director, Janie Bono. “If they come here for the day and receive our care, they’re able to stay in their own homes for a longer period of time. Our buses go to pick them up, and the average age is 85. Many of them are wheel chair bound.”

Founded in 1982, the center offers fun daily activities and provides services such as nursing, physical therapy, medication monitoring, hygiene, social services, occupational therapy, speech therapy, and nutritious meals—along with a special Alzheimer’s program.

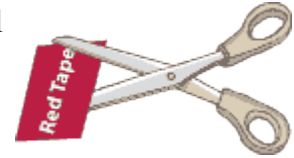
Part of the FNB Family

The CADHC staff works in cooperation with participants and their caregivers and physicians to create a supportive atmosphere. Janie Bono says, “we become an extended part of their family, which is much like the relationship we have with First national Bank. The bank is a big supporter of our fundraisers such as the Dream Machine, our air and car show. They’ve been involved with our center for over fifteen years—it’s long term and they want us to succeed.”

By working together, First national Bank and Coastside adult Day Health Center are both doing their part to help seniors remain at home close to family and friends, in the community they helped build. For more information on the center, contact CaDHC Executive Director Janie Bono at 650-726-5067, or visit www.coastsideadulthoodhealth.org.

Preferred Lender Status with SBA Cuts Red Tape

As a member of the SBA's Preferred Lender Program (PLP), First National Bank streamlines the process of offering financial assistance to the small business community. This means eliminating red tape and providing borrowers, like you, with quick processing, approval, and loan closing.



The U.S. Government's Small Business Administration, or SBA, was set up in 1953 "to aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." Since its founding, the SBA has delivered about 20 million loans—in addition to loan guarantees, contracts, counseling sessions, and other forms of assistance to small businesses.

Qualifying FOR PLP—No Small Thing

To qualify for the Preferred Lender Program, a financial institution (such as First National Bank) must first become an SBA lender, and then, eventually, be nominated by an SBA field office, based on significant experience in three areas: the ability to process, close and service SBA loans in accordance with SBA's requirements; proficiency in developing and analyzing complete loan packages; and a satisfactory performance history with the SBA. The bank must also have a complete understanding of all SBA policies and procedures.

Longer-Term Loans—a Boon for Small Business

Typically, non-SBA commercial loans tend to be short term—however, through the SBA program, a small business can obtain a long-term loan for everything from working capital and purchases of new machinery and equipment, to acquisition of an existing business, debt refinance, construction, and tenant improvements. and, there can be multiple purposes for the loan.

First National Bank offers a 7-year term for working capital; 10-15 years for the purchase of equipment (depending on type and useful life); 10 years for business acquisitions; and 25 years for real estate acquisition, refinance or construction. all SBA loans are fully amortized.



JANINE PERRIGNON

According to Janine Perrignon, VP and SBA Loan Manager for First National Bank, "a new or existing business that has a reasonable probability of succeeding and repaying the loan can get a much longer-term loan with us than they would ordinarily be able to obtain on a commercial basis at a reasonable rate, fully amortized, and in most cases, with no prepayment penalties. The exception would be the longer term loans with prepayment penalties in the first three years."

Janine has almost twenty years experience as an SBA lender, working with First national Bank of northern California and Commercial Bank of San Francisco. She also worked with SBA's central office in Washington, D.C., and as acting Regional administrator for SBA's Region IX (California, Arizona, Nevada, and Hawaii).

An Example

Let's look at a hypothetical loan scenario: an individual wants to buy an existing business (assets only, no real estate), and the purchase price is \$750,000. He has experience and enough money for a small down payment —\$85,000. If he goes to a commercial lender, he'll probably hear, "we can only loan you \$500,000 for a five-year term." This would be the case, even though the loan makes sense and the business can repay the debt. However, First national Bank, as a Preferred Lender, would most likely do that loan for the full amount of \$665,000 at a ten-year term.

PLP Status Fast Turnaround

By working with a bank that has Preferred Lender Status, like FNB, you not only get a longer-term loan, but also a quicker turn around time. within 24-48 hours of receiving your basic information, we will pre-qualify the loan request. a pre-qualification is not a commitment to lend—it is instead a determination based on our preliminary review that your business is eligible for SBA finance, the loan purpose is eligible, and the business appears to be able to repay the requested loan.

Because each loan request is different, we cannot guarantee the time it will take to provide a final response. Typically, we process the loan and provide a response within 7-10 business days after receiving the information needed for a credit decision. Generally, a loan closes within 3-4 weeks from the date we receive a complete application. If the loan is for the acquisition of real estate, the timing depends on an appraisal and environmental reports, and may take slightly longer.

FNB, PLP Status, and You

The advantage of doing business with First National Bank, an SBA lender with Preferred Lender status, is that we take care of you with a quick turnaround, less red tape, and a longer term. we are the "family bank" and that includes the small business family.

The Board of Directors of First National Bank of Northern California



is pleased to announce the appointment of Mike Pacelli to the board. Mike is President of Bay Relations, Inc. He has been involved in public relations and community organizations in San Mateo County and San Francisco for over twenty-five years. Mike's appointment was effective April 1, 2006. Mike Wyman, Chairman of the Board of FNB Bancorp said,

"Mike's extensive community experience and leadership bring great value to First National Bank of Northern California." Mike has been a long time fan and customer of the Bank. We are delighted to have Mike join the family.

150 Years!



San Mateo County Sesquicentennial: The Film

As a proud citizen of San Mateo County, we want to acknowledge the county's sesquicentennial in 2006—and tell you about a documentary film the San Mateo County Historical association is producing to celebrate this significant, 150th birthday.

The film will tell the story of our county's history, with the budget to come from a County donation of \$75,000, plus matching funds. This additional money will be raised in a collaborative fashion through the participation of the County of San Mateo, the Historical association, and private/corporate sources.

The full-scale, professional documentary film is a way to bring San Mateo County's 150-year history alive for our present and future generations. Through the decades— from its agricultural and industrial base, to its post-world war II residential growth and today's high-tech/bio-tech development—the county's history has represented a microcosm of America.

The approximately, one-hour-long film will be shown at celebratory events, the Fox Theatre in Redwood City, schools, and community group meetings—and on TV and public television stations.

Celebrating our past is an indispensable way to demonstrate optimism for the future— which is the spirit of this effort.

Contributions are tax deductible and should be made to: The San Mateo County Historical association/Documentary Project and mailed to: 1364 San Mateo ave., South San Francisco, Ca, 94080.

The Changing Face of Banking

SECONd In a SERIES—THE PERSONaL TOuCH REMaInS



The first of our articles on the changing face of banking (winter 2006 newsletter) looked at the regulatory crackdown in the wake of 9/11 and the fact that all financial institutions, such as First national Bank, are required to “know your customer.”

In the second of our series, we asked one of FNB's experienced employees to help explain how the new and existing federal regulations affect you directly in personal banking.

Edith Hom, a highly-regarded customer service representative, has been in banking for eight years— five with another bank working in customer service and operations, and three with First national Bank where she focuses on opening new accounts and handling account issues.

She will walk you through the basics in opening a new personal account:

EDITH: Since 9/11, we are required to ask for two forms of unexpired, government-issued ID such as a passport, state ID, or driver's license. This would be the primary ID. The secondary ID could be any major credit card or a utility bill. We also need a social security number. In the old days, it was much more relaxed.

Next, we run the potential customer's name through ChexSystems. It's a consumer-reporting agency that tells us if the potential customer has a record of abusing their accounts with other banks...writing bad checks and things like that.

We also have to submit the potential customer's name to OFAC, the government's Office of Foreign Assets Control, so it can be screened against their watch list of terrorists, money launderers, and narcotics traffickers.

Once the name is cleared, we move ahead to find out what product best meets the customer's needs, such as a checking account, savings account, or money market account.

We know that heightened federal regulations and bank compliance have created more work for you, our customer, and we sincerely appreciate your patience as we all do our part to keep banking safe. The face of banking may be changing, but we remain the “family bank“with a commitment to the personal touch.

First National Bank of Northern California Privacy Policy

The directors, management, and staff of First national Bank of northern California are concerned about and respect the privacy of our customers' personal financial information. we understand that our customers furnish sensitive information to us in the course of daily business, and we are committed to treating such information responsibly. we know that our customers expect privacy and security for their personal and financial affairs.

Types OF Information we Collect

We collect non public personal information about you from the following sources:

- Information we receive from you on applications or other forms;
- Information about your transactions with us or others; and

- Information we receive from a consumer reporting agency.

Types of Information we Disclose

We do not disclose any non public personal information about our customers or former customers to anyone, except as required by law or in the course of normal banking business. For example, we provide balance information to ATM networks so that they are able to release cash to you while you are using another financial institution's ATM.

Safeguarding Customer Information

We restrict access to non public personal information about you to those employees who need to know that information to provide products or services to you. For example, information in loan files can only be accessed by employees who work in the loan origination or loan operations departments. we maintain physical, electronic and procedural safeguards that comply with federal standards to guard your non public personal information.

All employees have a copy of this policy and are trained at least annually regarding the importance of safeguarding customer information. The human resources manager and the appropriate department manager will take disciplinary action against any employee who violates our Bank's privacy policy and procedures.

If we change our policy or practice by, for example, adding a category of information that will be disclosed to a third party, we will notify existing customers and give them an appropriate time period to opt out of the disclosure.

The board of directors approved and adopted this policy on November 29, 2000 and amended it on May 18, 2005.



Standing L to R: Mike Pacelli; R. Albert Roensch; Anthony J. Clifford, Executive Vice President/C.O.O.; Neil J. Vannucci; Edward J. Watson; Jim D. Black, President Seated L to R: Thomas C. McGraw, C.E.O.; Lisa Angelot; Michael R. Wyman, Chairman of the Board

The Board of Directors of First National Bank of Northern California thanks you for your business and support. we know you have many choices in where you do your banking. Our commitment is to provide quality products and outstanding service to every customer, no matter

how big or how small. If you would like to share your thoughts or views regarding how we are doing, please feel free to e-mail us at: boardofdirectors@fnbnorcal.com. your opinions are very important to us.

Sincerely,

Mike Wyman
Chairman of the Board