



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**Public Disclosure**

**August 7, 2006**

Community Reinvestment Act  
**Performance Evaluation**

**First National Community Bank**  
**Charter Number: 9868**

**102 East Drinker Street**  
**Dunmore, PA 18512**

**Office of the Comptroller of the Currency**

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*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, and should not 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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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **First National Community Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	First National Community Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The bank’s level of lending is good;
- A substantial majority of home mortgage loans, small loans to businesses and consumer loans are originated within the assessment areas (AAs);
- The geographic distribution of home mortgage and small loans to businesses is good;
- The borrower distribution of home mortgage loans is good;
- Community development loans had a positive impact on the lending test rating;
- The bank has a good level of community development investments and is responsive to the identified credit needs in the AA;
- Retail services are accessible to geographies and individuals of different income levels in the AA; and,
- The bank provides a good level of community development services in its AA.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an

employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

First National Community Bank (FNCB) is headquartered in Dunmore, Pennsylvania. As of December 31, 2005, its total assets were \$1 billion. The bank has offices located in the Northeastern Pennsylvania counties of Lackawanna and Luzerne. FNCB is an intrastate bank with sixteen full service branches, each with an automated teller machine (ATM), and an operations center. In addition, the main office in Dunmore has a drive up ATM facility, and there are four off-site ATMs in the assessment area (AA). There are also three off-site ATMs outside of the AA.

FNCB's last Public Evaluation (PE) was dated February 19, 2002, and the overall CRA rating assigned was **Satisfactory**. Since the previous PE, FNCB has not closed any branches, but has opened four new branches. Three off-site ATMs in the AA were closed due to their low volume of activity, but they were replaced by three new off-site ATMs at other locations in the AA. In addition, FNCB added a Spanish language option to all of their ATMs in October of 2005.

FNCB is a full-service community bank offering primary products that include residential mortgages, small business loans, and consumer installment loans. As of December 31, 2005 net loans and leases represented 69% of average assets. The loan portfolio is comprised of residential mortgages (15%), commercial loans (70%), consumer loans (11%), and municipal loans (4%). Net Tier 1 Capital was \$85 million as of December 31, 2005. There are no financial or legal impediments to hinder FNCB's ability to help meet the credit needs of the assessment area (AA).

FNCB is a wholly owned subsidiary of First National Community Bancorp, Inc., a one-bank holding company also headquartered in Dunmore, Pennsylvania, with total assets of \$1 billion as of December 31, 2005. FNCB has no affiliates or operating subsidiaries.

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

The evaluation period for the Lending Test, with the exception of community development (CD) loans, is January 1, 2002 through December 31, 2005. Under the Lending Test, home mortgage loans, small loans to businesses, consumer loans, and CD loans were evaluated. The bank originated only 13 multi-family loans during the evaluation period. Therefore, an analysis of these loans is not meaningful. FNCB did not originate any small farm loans during this evaluation period. For CD loans, the Investment test and the Service Test, the evaluation period is February 19, 2002 to August 7, 2006.

For the Lending Test, it is important to note that the evaluation period covers three separate time periods since AA demographics were affected by census changes resulting from the 2000 census. As a result of the 2000 census, beginning in January 2004, the Office of Management and Budget (OMB) implemented changes, which affected the demographic information against which bank performance is compared. The 2002 bank data was compared to the 1990 census data. Bank loans originated during 2003 were compared against 2000 census data and corresponding area demographics. Bank loans reported for 2004 and 2005 were compared against 2000 census data and corresponding area demographics impacted by the OMB changes. Because census information and OMB changes affected demographic information, loan data for the three time periods was analyzed separately, with the tables in Appendix C reflecting the most recent data from 2004-2005.

## Data Integrity

Prior to the commencement of the examination, FNCB's publicly filed information and registers were examined by the OCC to verify the accuracy of the data. These registers contain loan data for home mortgages, small businesses, and consumer loans. We found the loan data to be accurate.

Community development loans, investments, and services submitted by management were also reviewed during this examination to ensure that they met the regulatory definition of community development.

## Selection of Areas for Full-Scope Review

We performed a full scope review of the bank's only AA, which consists of Luzerne and Lackawanna counties in the Scranton/Wilkes-Barre MSA (42540 in the 2000 U.S. Census). Please refer to the table in Appendix B for additional information regarding this area.

## Ratings

The bank's overall rating is based on a full-scope review of its AA. Small loans to businesses received more weight in evaluating the Lending Test than home mortgage products. Small loans to businesses represent 66% of the total loans originated during the evaluation period and are a primary credit need of the assessment area based on discussions with community contacts and our own research. Due to the volume of consumer loans, consumer lending was also given more weight than home mortgage products. Consumer loans total 6,741 in number and represent \$87 million, while mortgages number 847 totaling \$60 million. Community contacts also identified consumer loans as a credit need in the

AA, especially low rate, low minimum balance loans such as those offered by the bank and presented in Table 1 - Other Products.

## **Other**

During our examination, we contacted one community group executive and also reviewed two recent contacts with other community groups in the AA. The discussion for our contact was completed via the telephone, and the executive provided us with information about the credit needs and small business needs of the community. The contact also provided an overview of demographic characteristics and economic conditions. During our discussion and review, as well as from information obtained throughout the examination, we learned that the primary credit needs are for low rate small loans for small businesses, which would facilitate current business expansion as well as attract new small businesses. This, in turn, would add local jobs and tax revenue. The contacts agreed that community banks in general are meeting these business needs as well as the mortgage needs of consumers.

There are community development opportunities in the bank's AA, but competition for these types of investments is strong. Our contact believed that community banks in general are adequately involved in community development in the AA.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

# Conclusions with Respect to Performance Tests

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "**High Satisfactory**". Based on full-scope reviews, the bank's performance in the Scranton/Wilkes-Barre MSA is good.

### Lending Activity

Refer to Tables 1- Lending Volume and Table 1- Other in appendix C for the facts and 2004-2005 data used to evaluate the bank's lending activity.

Lending activity in the MSA is good. The bank's lending patterns are reflective of the credit needs of the community. The bank's lending to individuals is centered in consumer loan products. The bank also originates HMDA loan products. Purchase, home improvement, and refinance loans represent 23%, 14% and 63% respectively, of all home mortgages originated in this AA.

Based upon 2004 HMDA Peer Mortgage Data, FNCB ranked 17th out of 368 lenders in this AA with a 1.50% market share. Large regional banks dominate the market.

Based on 2004 HMDA Peer Mortgage Data:

- Market share for home purchase, home improvement and refinance loans is 1.43%, 2.20% and 1.38% respectively;
- For home purchase lending, FNCB ranked 21<sup>st</sup> out of 290 lenders;
- For home improvement lending, FNCB ranked 9<sup>th</sup> out of 123 lenders;
- For refinance lending, FNCB ranked 15<sup>th</sup> out of 280 lenders.

Small business credit is also an important credit need in the AA. Based on 2004 Peer Small Business Data, FNCB ranked sixth out of 68 lenders with a market share of 4.38%.

## Distribution of Loans by Income Level of the Geography

### *Home Mortgage Loans*

Refer to Tables 2, 3, and 4 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations. Geographic distribution of multi-family is not discussed since very few multifamily loans were originated by FNCB in the AA, and therefore, an analysis is not meaningful.

Geographic distribution in the AA is good. Home purchase loan geographic distribution is good. According to the 1990 census data, there are two low-income and twenty one moderate-income geographies in the AA. For 2002, using the 1990 census data, home purchase loans originated by the bank significantly exceeded the percentage of owner occupied housing units in low-income geographies.

According to the 2000 census data, there was one low-income and twenty one moderate-income tracts in the AA. For 2003, the 2000 census data is used and the number of loans originated also exceeds the percentage of owner occupied housing units in low-income geographies. The 2004-2005 evaluation period also uses the 2000 census data but changes to census tracts by the Office of Management and Budget are also reflected. For this period, the number of loans originated also exceeds the percentage of owner occupied housing units. FNCB's market share for low-income geographies significantly exceeds their overall market share.

For 2002, home purchase loans originated by the bank are lower than the percentage of owner occupied housing units in moderate-income geographies in the AA. For 2003, home purchase loans originated in moderate-income geographies exceeds the percentage of owner occupied units. In 2004-2005, home purchase loans made in moderate-income geographies are somewhat lower than the percentage of owner occupied housing units in the AA.

Home improvement loan geographic distribution is good. In 2002, home improvement loans originated in low-income geographies significantly exceeds the percentage of owner occupied units in the AA. In 2003, home improvement loans made in low-income geographies are somewhat lower than the percentage of owner occupied units. For the 2004-2005 evaluation period, the bank did not originate any home improvement loans in low-income geographies. However, the performance is adequate because there were limited opportunities with only .03% of units in low-income geographies owner occupied according to the 2000 census data. Also, there is a great deal of competition in the market.

For the 2002 evaluation period, home improvement loans made in moderate-income geographies exceeds the percentage of owner occupied units in the MSA. In 2003, home improvement loans made in moderate-income geographies were lower than the percentage of owner occupied units. For the 2004-2005 evaluation period, home improvement loans originated in moderate-income geographies also exceeded the percentage of owner occupied units in the AA.

Refinance loan distribution is adequate. For the entire evaluation period 2002-2005, the bank did not originate any refinance loans in low-income geographies. However this is adequate as there were limited opportunities with only .02% of owner-occupied units in low-income geographies according to the 1990 census and only .03% of owner occupied units in low-income geographies according to the 2000 census data. For the entire evaluation period, refinance loans made in moderate-income geographies are somewhat lower than the percentage of owner occupied units, and the market share for moderate-income geographies is lower than overall market share.

### ***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination of small loans to businesses.

Geographic distribution in the AA is good. For the entire evaluation period, 2002-2005, FNCB's small loans to businesses in low-income geographies exceeded the percentage of businesses in low-income geographies in the AA. Small loans to businesses in moderate-income geographies were somewhat lower than the percentage of businesses in those geographies for the entire evaluation period. Market share is also somewhat lower than the bank's overall market share.

## ***Consumer Loans***

This institution chose to have its consumer loans reviewed for consideration. Refer to Table 13 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

Geographic distribution for consumer loans is adequate. Using 1990 census data for the 2002 evaluation, consumer loans originated by FNCB in low-income geographies were near to the percentage of low-income geographies in the AA. Using the 2000 census data for the 2003 evaluation period, consumer loans in low-income geographies are near to the percentage of low-income geographies in the AA. For the 2004-2005 evaluation period, consumer loans in low-income geographies were also near to the percentage of low-income geographies. For the entire evaluation period, 2002-2005, the percentage of consumer loans made in moderate-income geographies was somewhat lower than the percentage of moderate-income geographies in the AA.

## **Lending Gap Analysis**

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in FNCB's lending patterns.

## ***Inside/Outside Ratio***

An analysis of the bank's lending within its assessment areas was performed at the bank level as opposed to the AA level. A substantial majority, 78%, of the home mortgage loans, small loans to businesses, and consumer loans originated by FNCB over the evaluation period were within the AA. For HMDA products, 93% of all originations were within the AA. Consumer and small business loan data was grouped together, and for the evaluation period, 76% of loans were made within the AA. One hundred percent of the community development loans were within the AA. This performance was positively factored into the overall analysis of the lending test.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

Borrower distribution for home purchase lending is adequate in the AA. The median cost of housing in the AA was \$60,700 based on the 1990 census data, and the median cost of housing was \$87,100 based on the 2000 census data. The HUD updated median family income for 2005 was \$51,300. This means that a low-income person earned less than \$25,650. A moderate person earned at least \$25,650 but less than \$41,040. Additionally, 12% of the households in the AA were below the poverty level.

For the entire evaluation period of 2002-2005, the percentage of home purchase loans made to low-income borrowers is lower than the percentage of low-income families in the AA. However, the market share to low-income borrowers is near to the bank's overall market share for the entire evaluation period. The bank's performance is adequate when considering the affordability of housing for a low-income person in the MSA as discussed above.

The percentage of home purchase loans made to moderate-income borrowers is near to the percentage of moderate-income families in the AA in 2002 using the 1990 census data. Using the 2000 census data for 2003 and 2004-2005, the percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families. FNCB's market share to moderate-income borrowers for home purchase loans is somewhat lower than its overall market share for the entire evaluation period.

Home improvement borrower distribution is good. The percentage of home improvement loans made to low-income borrowers in the AA is lower than the percentage of low-income families for the evaluation periods using both the 1990 and 2000 census data for the entire evaluation period 2002-2005. This performance is adequate as there are fewer opportunities for home improvement loans to low-income borrowers based primarily on the affordability of a home purchase to a low-income borrower.

The percentage of home improvement loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the AA for the entire evaluation period using both the 1990 and 2000 census data. Also for the evaluation period, the market share for moderate-income borrowers exceeds the overall market share.

Home refinance borrower distribution is adequate. The percentage of home refinance loans made to low-income borrowers in the AA is significantly lower than the percentage of low-income families for the evaluation period using both the 1990 and 2000 census data. FNCB's market share for low-income borrowers is also lower than the overall market share. This performance is adequate when considering that there are fewer opportunities for home refinance loans available to low-income borrowers based on the affordability for a low-income person to purchase a home in the AA, as previously discussed.

For the 2002 evaluation period, the percentage of home refinance loans to moderate-income borrower is near to the percentage of moderate-income families in the AA. For the 2003 and 2004-2005 evaluation periods, the percentage of home refinance loans to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. Market share for all evaluations periods is somewhat lower than the overall market share.

### ***Small Loans to Businesses***

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination of small loans to businesses.

The borrower distribution of small loans to business is excellent, especially when considering the strong competition for these loans especially from large national and regional institutions.

In 2002, small loans to small businesses (businesses with revenues of \$1 million or less) represent 69% of small loans to businesses originated by FNCB in the AA. This exceeds the percentage of small businesses in the AA, 66%. In 2003, the bank originated 67% of bank loans to small businesses exceeding the percentage of small businesses in the AA, 63%. For the 2004-2005 evaluation period, FNCB originated 74% of small loans to businesses to small businesses, again exceeding the percentage of small businesses in the AA, 64%. For the entire evaluation period, the distribution by size of loan shows that a substantial majority of the loans originated are for \$100,000 or less.

### ***Consumer Loans***

Borrower distribution is good. For 2002, using 1990 census data, the distribution of consumer loans to low-income borrowers is somewhat lower than the percentage of low-income households in the AA. For the 2003, and 2004-2005 evaluation periods, using 2000 census data, the distribution of consumer loans made to low-income borrowers is also somewhat lower than the percentage of low-income households in the AA. For the entire evaluation period, the percentage of consumer loans made to moderate-income borrowers exceeds the percentage of moderate-income households in the AA.

## **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Community development lending had a positive impact on the Lending Test. We determined that FNCRB made thirteen loans totaling \$27.6 million during the evaluation period that qualified as community development loans. The following summarizes these loans:

- Four revolving lines of credit of \$100,000 each to a local community housing organization. The funds are used by the housing organization to fund loans to first time home buyers who are LMI individuals. The loans originated through this community group reduce the number of loans originated directly by FNCRB to LMI borrowers, but without the lines of credit, the community group would be unable to operate. Further, the community housing group is able to offer more financial assistance to LMI individuals, such as no down payment and closing cost assistance, than if the bank were offering the loans on its own.
- A \$3.6 million loan to finance the construction of a pharmacy in a moderate-income census tract. This pharmacy will provide both services and employment opportunities for the LMI individuals residing in this area.
- A \$1.75 million credit line to an organization that provides educational, health, and social services for children and adults with developmental disabilities under contracts primarily with state, county, and local government. The majority of the individuals served by the program are LMI individuals reliant on SSI income and most of the organization's facilities are located in or near the low and moderate- census tracts of Scranton.
- A \$7.4 million loan to the redevelopment authority of Lackawanna County to fund project costs to develop an industrial park that will provide sites for new businesses.
- A \$1.5 million dollar loan was given to a not-for-profit organization that serves primarily LMI individuals. The loan provided funds to acquire, renovate, and improve facilities of the organization. One of the facilities that the loan was used to improve is a building that is subdivided into a soup kitchen with a full service line kitchen, food and clothing shelter, storage area for food product, and a medical clinic.
- A \$1.2 million loan was given to a non-profit agency established to benefit handicapped and elderly individuals by providing rehabilitation, in and out-patient hospital services to individuals recovering from strokes, spinal cord injuries, arthritis conditions, amputation, neurological disorders, orthopedic conditions, and upper extremity injuries. The proceeds of the loan were

used to purchase equipment and fund renovations for a rehabilitation unit at a hospital that serves both low and moderate income tracts.

- A \$2.4 million loan to finance the purchase a trailer park that provides a less costly housing alternative for LMI individuals.
- A \$4.5 million loan to purchase land and fund construction of an industrial flex building. The new facility will promote economic development by providing industrial space for small businesses.

## **Product Innovation and Flexibility**

Product innovation and flexibility had a positive impact on the Lending Test conclusion. The bank offers standard loan products including first-time homebuyer's programs with reduced fees, and down payment and/or closing cost assistance for LMI individuals.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test is rated **High Satisfactory**. Based on a full scope review, the bank's performance in their assessment area is good.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Investments within the AA are good. During the evaluation period, FNCB purchased three new investments totaling \$3,956 thousand. The investments purchased address an identified need in the AA-affordable housing. Two of the three investments fund mortgages to LMI individuals or individuals residing in LMI census tracts. The other investment is a mortgage backed bond to refinance debt through a GNMA Multifamily Project Loan for an independent-living facility for senior citizens in a low-income census tract. The bank's investment portfolio does not include any outstanding community development investments from prior examination periods.

During the evaluation period, FNCB provided 157 donations totaling \$85 thousand to various organizations in the AA that qualify as community development investments. Also, \$1 thousand was donated to a Hurricane Katrina Relief Fund, which also qualifies as a CRA investment.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated **High Satisfactory**. Based on a full scope review, the bank's performance in their assessment area is good.

## **Retail Banking Services**

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch system and branch openings and closings.

FNCB's delivery systems are accessible to geographies and individuals of different income levels within its AA based on population demographics and locations of the bank's branches and ATMs. In low-income tracts, the branch distribution exceeds the distribution of the population living in those geographies. In moderate-income tracts, the branch distribution is somewhat lower than the population living in those geographies.

FNCB opened four new branches during the evaluation period; three in middle-income census tracts and one in a moderate-income census tract. There have been no branch closings.

Banking hours and services are offered Monday through Friday and are supplemented by evening and Saturday hours at all branches in the AA. The traditional line of banking products and services are offered at all branches. In 2005, a bi-lingual teller was hired for one of the branches to better serve the Spanish speaking customers in that area.

FNCB offers a low minimum, low cost checking account to all customers. The bank offers special no cost checking accounts to senior citizens, no cost youth savings accounts, and discount checking with reduced service charges designed to lower the cost of a checking account for customers who only write a few checks a month. The minimum deposit to open a 12 month add on CD was decreased from \$1,000 to \$500 to enable lower-income individuals to utilize this product. Low cost deposit accounts are also available for small businesses.

FNCB's ATM network offers an alternative system for delivering retail banking services. In addition to ATMs that are located at all branches, the bank offers four ATMs at offsite locations in the AA, and three at off site locations outside of the AA. During the evaluation period, three off-site ATMs in the AA were closed due to low volume of activity, but they were replaced by three new off-site ATMs at other locations in the AA. In addition, FNCB added a Spanish language option to all of their ATMs in October 2005, and all ATMs with the exception of one branch location produce a receipt in Spanish when the "Spanish" option is chosen.

The bank has 24-hour telephone banking and Internet banking. There are internet banking services for both personal and business customers. However, since the bank could not provide specific data on how low and moderate income individuals and geographies are impacted by these services; significant weight was not placed on these alternate delivery systems when drawing conclusions under the Service test.

## **Community Development Services**

FNCB's performance in providing Community Development (CD) services to the AA is excellent. Primary services include providing financial expertise to a variety of community service and development organizations. The services help not only low and moderate income (LMI) individuals, but also small businesses. Several of the activities involve leadership roles with employees or bank directors serving on the Boards or committees of the organizations. Twenty employees and two directors provide services, including technical and financial knowledge, which benefits thirty organizations.

The following summarizes the types of services provided by the bank employees and directors:

- An officer is a Board member for two related organizations that provide reasonable housing for LMI individuals and families.
- An officer is an active participant in a community affairs organization that deals with community development issues within the AA including affordable housing.
- An officer and a director are both board members of an organization that purchased a school that was originally going to be renovated into 50 low-income housing units, but now plans are to renovate the school to be leased as office space. The project is in a blighted area of the city. This will potentially bring up to 400 new and relocated jobs to the City of Scranton.
- An officer and a director both serve on the Board of a local soup kitchen that provides meals for LMI individuals.
- An officer serves on the Personnel, Pension, Finance, and Audit Committees for an agency that provides maternal and family health services to low-income women and children.
- An officer is the treasurer of the Board of an agency that provides counseling services to LMI individuals.
- An officer serves on the Board of a non-profit organization that provides counseling for LMI individuals to learn how to better manage their finances.
- An officer serves on the Board of a local community college foundation that provides scholarships to LMI individuals who demonstrate an unmet financial need and strive to perform academically.
- An officer serves on the Board of an organization that provides working capital loans for small businesses who do not qualify for bank financing.
- An officer serves on the Board of a regional non-profit organization dedicated to contributing to the economic development of Northeastern Pennsylvania communities.
- A director of the bank serves on the Board of a non-profit organization that offers assistance to the homeless and emergency fuel assistance to families struggling with heating costs.
- An employee is a director of an organization that provides job training, job placement, and job support to LMI individuals.
- An officer of the bank serves as a member of the small business loan development committees of two local universities. The group offers developmental and financial assistance to new and expanding small businesses.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/2002 to 12/31/2005 Investment and Service Tests and CD Loans: 02/19/2002 to 08/07/2006	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Community Bank (FNCB), Dunmore, PA	Home Mortgages, Small Loans to Businesses, Consumer Loans and CD loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Scranton/Wilkes-Barre MSA #42540	Full-Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### Scranton/Wilkes-Barre MSA (42540)

Demographic Information for Full-Scope Area: Scranton/Wilkes-Barre MSA (42540)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	161	0.62	13.04	73.29	13.04	0.00
Population by Geography	532,545	0.49	10.80	71.81	16.91	0.00
Owner-Occupied Housing by Geography	150,164	0.03	8.34	73.46	18.17	0.00
Businesses by Geography	37,961	3.79	11.35	67.54	17.32	0.00
Farms by Geography	645	0.16	5.89	64.65	29.30	0.00
Family Distribution by Income Level	140,741	19.04	18.71	22.85	39.40	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	53,133	0.39	15.50	73.84	10.27	0.00
Median Family Income HUD Adjusted Median Family Income for XXXX Households Below the Poverty Level	= \$43,893 = \$51,300 = 12%					Median Housing Value = \$87,056 Unemployment Rate = 5.5% in MSA

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2005 HUD updated MFI.

FNCB's AA includes two out of the three counties in the Scranton/Wilkes-Barre MSA 42540, Luzerne and Lackawanna Counties. There are 161 census tracts in this AA with a population of approximately 533,000. FNCB operates all sixteen of its branches in this AA. All branches have drive up facilities and ATMs, and there are an additional four ATMs offsite in this AA.

Banking competition is very strong for both loans and deposits. Competition exists from national institutions, large regional institutions, mortgage companies, and other community banks. FNCB offers traditional loan and deposit products and remains competitive. FNCB has 100% of its deposits in this AA. Of the 25 banking institutions in the MSA, FNCB ranks sixth with a 7.00% market share. In Lackawanna County, it ranks second out of 16 (with a 12.06% market share) and in Luzerne County it ranks eighth out of 20 (with a 3.88% market share).

The institutions with greater percentages of the market share are large national and regional banks:

- PNC Bank ranked 1<sup>st</sup> in deposits (21.75%) with 36 offices;
- Manufacturers and Traders Trust ranked 2<sup>nd</sup> in deposits (12.75%) with 18 offices;
- Wachovia Bank ranked 3<sup>rd</sup> in deposits (11.33%) with 19 offices; and
- Community Bank, NA ranked 4<sup>th</sup> in deposits (8.27%) with 11 offices.

The economy of the area is stable, although it usually lags the overall economy. The unemployment rate for the MSA is 5.5% as of June 2006 according to the Bureau of Labor Statistics. This is slightly higher

than the state average of 4.7%. Economists cite the City of Scranton's extremely high wage tax at 3.4% as one of the main hurdles in attracting new business to the area. The tax is third highest in the country trailing only Philadelphia and New York City. Major employers in the AA include state, local, and federal government, hospitals and health care services, school districts and universities, Wal-Mart Associates, MetLife, Lockheed Martin, and Pride Mobility.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.

- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME 2005		Geography: DUNMORE 2004-2005						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31,				
MA/Assessment Area (2005):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **		Total Reported Loans		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Dunmore 2	100.00	711	67,395	1,387	144,650	0	0	13	27,600	2,111	239,645	100.00

\* Loan Data as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from February 19, 2002 to August 07, 2006.

\*\*\* Deposit Data as of June 30, 2005. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

LENDING VOLUME 2005		Geography: DUNMORE 2004-2005						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31,						
MA/Assessment Area (2005):	% of Rated Area Loans (#) in MA/AA	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>														
Dunmore 2	100.00	4,913	102,762	188	20,967	439	24,350	3,662	50,932	0	0	115	4,478	100.00

\* Loan Data as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2005.

\*\*\* Deposit Data as of June 30, 2005. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

LENDING VOLUME 2005		Geography: DUNMORE 2004-2005		Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31,	
MA/Assessment Area (2005):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
Dunmore 2	509	2,035	0	0	0

\* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2005.

**Table2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE DECEMBER 31, 2005		Geography: DUNMORE 2004-2005						Evaluation Period: JANUARY 1, 2004 TO							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	232	100.00	0.03	0.43	8.34	5.60	73.46	69.83	18.17	24.14	1.44	11.11	1.12	1.55	1.21

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT DECEMBER 31, 2005			Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	156	100.00	0.03	0.00	8.34	8.97	73.46	73.08	18.17	17.95	2.17	0.00	2.39	2.15	2.15

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2005			Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	319	100.00	0.03	0.00	8.34	5.96	73.46	71.79	18.17	22.26	1.38	0.00	0.92	1.38	1.56

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY 31, 2005		Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004 TO DECEMBER					
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	4	100.00	6.58	0.00	23.47	50.00	60.18	50.00	9.78	0.00	1.89	0.00	0.00	2.56	0.00

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2005		Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004 TO					
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	1,387	100.00	3.79	6.56	11.35	4.61	67.54	68.85	17.32	19.97	4.38	9.41	2.32	4.66	4.40

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2005).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS TO DECEMBER 31, 2005			Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Farms*	% BANK Loans	% of Farms* **	% BANK Loans	% of Farms* **	% BANK Loans	% of Farms* **	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	0	0.00	0.16	0.00	5.89	0.00	64.65	0.00	29.30	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2005).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE 31, 2005		Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004 TO DECEMBER					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK****	% Families <sup>1</sup>	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	232	100.00	19.04	9.39	18.71	18.78	22.85	23.00	39.40	48.83	1.48	1.19	1.30	1.51	1.63

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* As a percentage of loans with borrower income information available. No information was available for 8.2% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT DECEMBER 31, 2005		Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005					
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>2</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	156	100.00	19.04	14.48	18.71	27.59	22.85	15.86	39.40	42.07	2.07	0.90	2.58	1.34	2.85

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* As a percentage of loans with borrower income information available. No information was available for 7.1% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2005			Geography: DUNMORE 2004-2005						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005						
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families ****	% BANK Loans****	% Families <sup>3</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans**	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dunmore 2005 AA	319	100.00	19.04	3.65	18.71	16.28	22.85	22.92	39.40	57.14	1.56	0.71	0.98	1.28	2.25

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* As a percentage of loans with borrower income information available. No information was available for 5.6% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2005		Geography: DUNMORE 2004-2005			Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Dunmore 2005 AA	1,387	100.00	63.82	74.04	81.98	6.99	11.03	4.38	8.30

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2005).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 3.17% of small loans to businesses originated and purchased by the bank.

**Table12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS DECEMBER 31, 2005		Geography: DUNMORE 2004-2005				Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005			
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Dunmore 2005 AA	0	0.00	91.47	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2005).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

Geographic and Borrower Distribution: CONSUMER LOANS DECEMBER 31, 2005			Geography: DUNMORE 2004-2005								Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2005							
MA/Assessment Area:	Geographic Distribution										Borrower Distribution							
	Total Consumer Loans		Low-Income Geographies		Moderate- Income Geographies		Middle-Income Geographies		Upper- Income Geographies		Low-Income Borrowers		Moderate- Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds**	% of BAN K Loan s	% of Hhlds**	% of BAN K Loan s	% of Hhlds*	% of BANK Loans	% of Hhld s**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds* *	% of BANK Loans	% of Hhlds* *	% of BANK Loans	% of Hhlds* *	% of BANK Loans
<b>Full Review:</b>																		
Dunmore 2005 AA	4,725	100. 00	0.54	0.11	11.62	7.26	72.63	70.01	15.2 0	22.62	24.49	18.71	15.98	25.33	18.24	23.92	41.28	28.85

\* Consumer Loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.

\*\* Percentage of households is based on 2000 Census Information.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS 31, 2005		Geography: DUNMORE 2004-2005				Evaluation Period: JANUARY 1, 2004 TO DECEMBER			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Dunmore 2005 AA	0	0	160	4,042	160	4,042	100.00	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS JANUARY 1, 2004 TO DECEMBER 31, 2005								Geography: DUNMORE 2004-2005				Evaluation Period:					
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Dunmore 2005 AA	100.00	16	100.00	6.25	6.25	75.00	12.50	4	0	0	1	3	0	0.49	10.80	71.81	16.91

**Distribution of Branch and ATM Delivery System**

Distribution of Branch and ATM Delivery System 31, 2005				Geography: DUNMORE 2004-2005				Evaluation Period: JANUARY 1, 2004 TO DECEMBER									
MA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Dunmore 2005 AA	100.00	16	100.00	6	6	75	13	21	100.00	1	2	14	4	0.49	10.80	71.81	16.91