



SMALL BANK

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

PUBLIC DISCLOSURE

May 10, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank of Northwestern Pennsylvania
Charter Number 13871**

**53 East State Street
Albion, PA 16401**

**Comptroller of the Currency
Western Pennsylvania
4075 Monroeville Boulevard Building 2, Suite 300
Monroeville, PA 15146**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTIONS CRA RATING: This institution is rated **SATISFACTORY**

The primary factors supporting the bank's overall rating include:

The average loan to deposit ratio meets the standard for satisfactory performance since it compares reasonably to peer group loan to deposit averages considering area demographics.

The level of lending inside the assessment area exceeds the standard for satisfactory performance, since an overwhelming majority of loans originated during the evaluation period were originated within the assessment area.

The distribution of home loan originations among borrowers of different income levels meets the standard for satisfactory performance since it is reasonable considering area demographics.

The distribution of home loan originations among geographies of different income levels meets the standard for satisfactory performance since it is reasonable considering area demographics.

No consumer complaints have been filed regarding CNB's performance under the Community Reinvestment Act

DESCRIPTION OF THE INSTITUTION

Community National Bank of Northwestern Pennsylvania (CNB) is a \$67.6 million dollar independent, intrastate community bank chartered in 1933. The bank is headquartered in the town of Albion, in Erie County in Northwest Pennsylvania. Albion Pennsylvania is located approximately 30 miles southwest of Erie, Pennsylvania and approximately 118 miles northwest of Pittsburgh, Pennsylvania. Including its main office branch, in Albion PA, CNB operates five (5) full service branches. The five branch offices are situated primarily in the southern central and western portions of Erie County, Pennsylvania. Specifically, branch offices are located in Albion, West Springfield, Cranesville, Edinboro and Millcreek Township. The Millcreek Township branch office opened during the second quarter of 2000 subsequent to the CRA examination conducted during October 1999. CNB currently operates six ATMs, which are situated at four of the branch offices. CNB does not operate an ATM at Cranesville branch because of its close proximity to the Albion office.

CNB is a community bank, which offers basic retail deposit and loan products, with a strong focus on residential real estate. Net loans represent 49% of CNB's assets. CNB's loan portfolio consists of: 77% residential real estate, 5% consumer and 5% commercial loans. The remainder of CNB's loan portfolio consists of multifamily, agricultural, construction and municipal loans.

There are no financial or legal impediments that would preclude CNB from lending. CNB received a satisfactory rating as a result of the previous CRA evaluation.

DESCRIPTION OF ASSESSMENT AREA

CNB has designated two assessment areas (AAs.) CNB's AAs are immediately adjacent to one another in Erie and Crawford Counties in northwest Pennsylvania. CNB's Erie AA consists of 68 whole contiguous census tracts located in Erie County. CNB's Crawford County AA consists of 12 whole contiguous census tracts located in the northern portion of Crawford County. CNB's Erie AA is located within the Erie Metropolitan Statistical Area (MSA) 2360. CNB's Crawford County AA is not located within an MSA. All of CNB's branch offices and ATMs are located within its AAs. CNB's AAs meet regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

Both of CNB's AAs were demographically affected by changes initiated by the United States Office of Management and Budget (US OMB) beginning in 2004. The US OMB initiated the changes as a result of data gathered during the 2000 census. CNB's AAs are discussed separately below. The AA descriptions reflect the 2004 OMB changes.

Erie County AA

CNB's Erie AA consists of whole contiguous census tracts located in Erie County. For 2003 the Erie AA census tracts totaled 68. For 2004 the Erie AA census tracts totaled 70. Although CNB did not expand its Erie AA between 2003 and 2004, the OMB divided some Erie AA census tracts, which resulted in a larger number of Erie AA tracts. For 2003, of the 68 census tracts in the Erie County AA, 15, 36, 12 and 5 were categorized as upper-, middle-, moderate-, and low-income respectively. For 2004 of the 70 Erie AA census tracts, 16, 36, 13, and 5 were categorized as upper-, middle-, moderate-, and low-income respectively.

For CNB's Erie AA, 2000 census data reports a total population of \$270,646, total households of 102,602 and total families of \$68,874. HUD data updated for 2003 and 2004 report the Erie MSA median family income to be \$50,600 and \$51,300 respectively. Demographic information derived from annually updated HUD data, reports that for both 2003 and 2004, of total AA families, 18%, 19%, 23% and 40% are of low-, moderate-, middle- and upper-income respectively.

For CNB's Erie County AA for both 2003 and 2004, the majority of AA households (76%) were supported by wage or salaried jobs. However, for the same years, of Erie AA households, 14% report persons over 65, 18% report retired residents, 29% derive income from social security and 12% subsist below poverty level. The 2000 census data also reports that for 2003 and 2004, of total Erie AA housing units, 64% were owner occupied and the median housing value equaled \$84,500. These AA demographic factors restrict loan demand for residential mortgage loans. Particularly affected is residential mortgage demand from low- and moderate-income borrowers impacted by issues concerning housing availability and affordability.

CNB's Erie AA is predominantly rural and agricultural. However the opening of CNB's Millcreek branch office prompted the expansion of the Erie AA into the area surrounding the City of Erie. The geographical area immediately surrounding the City of Erie however, is more urban and more commercial than the majority of the AA. The largest employers in Erie County are General Electric, Erie Indemnity Company, Hamot Hospital, the State of Pennsylvania, and St. Vincent's Hospital. A Pennsylvania State Correctional Facility and Edinboro State University also operate in Erie County. Of all U.S. counties, Erie County is also the third largest producer of grapes. Erie AA employment is derived predominantly from the service industry. Retail trade and to a lesser extent insurance, finance, real estate and manufacturing also support Erie County employment. The Erie County unemployment rate is higher than the national average.

Crawford County AA

CNB's Crawford AA consists of whole contiguous census tracts located in Crawford County. For both 2003 and 2004 the Crawford AA census tracts totaled 12. Of the 12 Crawford AA census tracts, 1, 10 and 1 are upper-, middle-, income and moderate-

income respectively. The Crawford AA does not contain any low-income census tracts.

For CNB's Crawford AA, 2000 census data reports a total population of \$59,029, total households of 22,821 and total families of \$15,412. HUD data updated for 2003 and 2004 report the Crawford MSA median family income to be \$47,400 and \$46,613 respectively. Demographic information derived from annually updated HUD data, reports that for both 2003 and 2004, of total AA families, 18%, 19%, 23% and 40% are of low-, moderate-, middle- and upper-income respectively.

In CNB's Crawford County AA for both 2003 and 2004, the majority of AA households (72%) were supported by wage or salaried jobs. However, for the same years, of Crawford AA households, 16% report persons over 65, 18% report retired residents, 32% derive income from social security and 12% subsist below poverty level. The 2000 census data also reports that for 2003 and 2004, of total Crawford AA housing units, 63% were owner occupied and the median housing value equals \$73,164. These AA demographic factors restrict loan demand for residential mortgage loans. Particularly affected is residential mortgage demand from low- and moderate-income borrowers impacted by issues concerning housing availability and affordability.

CNB's Crawford AA is predominantly rural and agricultural. The Crawford AA is sparsely populated particularly in comparison to the Erie AA. The largest employers in Crawford County are Meadville Medical Center, the State of Pennsylvania, Crawford County, Crawford Central School District, and Penn Crest School District. Crawford AA employment is derived predominantly from the service industry. Retail trade and to a lesser extent manufacturing, construction, finance, insurance, real estate, agriculture forestry and fishing also support Crawford County employment. The Crawford County unemployment rate is higher than the national average.

Economic conditions in CNB's Erie and Crawford AAs can be characterized as stagnant as the area has experienced minimal growth. Loan demand remains low. The Erie area once thrived from manufacturing and railroad-related industries. However, during the late 1970's and early 1980's, the Erie area experienced a severe decline in these industries and consequently in population. A major tornado in 1985 continued to negatively impact the economic environment of the area. More recently, the plastics industry has also left the Erie area.

Competition within CNB's AAs remains strong. Competition consists principally of other banks, thrifts, credit unions and mortgage companies, the latter of which are frequently non-local. Non-local mortgage companies have been a steadily increasing source of competition in the AAs over recent years. Also, several branch offices of large banks including PNC, National City and Bank of America operate within CNB's AAs. There are no longer any financial institutions of similar size to CNB that currently operate in the AAs. The larger, more sophisticated profile of the competing financial institutions allows them to offer a greater variety of products and services.

Examiners contacted the President of the local area Chamber of Commerce. The contact characterized the economic area as stable but indicated the area has experienced minimal or no growth. The contact stated that the primary credit need is residential mortgage lending and to a lesser extent small business lending. The community contact indicated that the local financial institutions given the products and services offered, are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN TO DEPOSIT RATIO

The loan to deposit ratio meets the standard for satisfactory performance, since given demographic constraints, it compares reasonably to the average loan to deposit ration exhibited by peer banks over the same period.

To assess CNB's lending activity we collected and analyzed loan to deposit data over the evaluation period for CNB and its local peer group. The peer group to which CNB's level of lending activity was compared, included banks with assets up to \$150 million, operating within Erie and Crawford Counties as well as seventeen surrounding Pennsylvania, Ohio and New York counties.

Lending activity was measured by comparing the twenty-four quarter average loan to deposit ratios reported by CNB and its local peer group. The twenty-four quarter average loan to deposit ratio was calculated using financial data reported since the previous evaluation. Specifically the calculation included quarter-end financial data reported for all quarters from 6/30/1999 through 12/31/04. CNB's level of lending, while slightly lower than its local peer, remains reasonable given the demographic context in which the bank operates and the bank's overall lending volume.

CNB's level of lending over the period compares reasonably to lending by its local peer group of banks. Specifically, CNB reported a twenty-four quarter average loan to deposit ratio of 61%. In comparison, a local peer group reported twenty-four quarter average loan to deposit ratio of 66%. CNB's ability to lend is adversely affected by low AA loan demand, which is attributable to local demographics and heavy competition from larger, non-local lenders.

CNB is headquartered in Albion Pennsylvania and operates the majority of its branch offices in nearby rural, southern Erie County which his comparatively sparsely populated. Additionally southern Erie County is the area in which CNB presence has historically been centered. Albion itself is also physically isolated by virtue of its location in a small town approximately ten miles from Route 79, the area's major thoroughfare. The rural, small town environment does not include a significant business or commercial district. Road access limited to secondary routes has inhibited business or commercial

development in the small town in Albion. Inhibited commercial growth has adversely impacted area loan demand.

CNB also faces comparatively heavy competition from financial institutions and credit unions, which are larger with more expansive branch networks. The size of the larger financial institutions as compared to CNB, allows them a competitive advantage through the ability to offer a greater variety of products and services. Therefore, CNB's level of lending is considered to be reasonable considering area demographics and the context in which it operates.

LENDING IN THE ASSESSMENT AREAS

CNB's record of lending within its AAs is excellent and exceeds the standards for satisfactory performance since the overwhelming majority of residential mortgage loans extended over the evaluation period were originated in the AAs.

To evaluate CNB's record of lending in its AAs, we performed an analysis of CNB's Home Mortgage Disclosure Act (HMDA) data reported for 2003, 2004 and the first quarter of 2005. The HMDA data includes home mortgage loan originations for which the purpose is home purchase, home improvement and home refinance. An analysis of the data revealed that of all the home mortgage loans originated by CNB from 1/1/03 through 3/31/05, that 99% of both the number and dollars of home mortgage loans were originated within the AAs.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

CNB's record of lending to borrowers of different income levels meets the standard for Satisfactory performance since it is reasonable considering area demographics.

Erie AA Borrower Income Distribution – 2003

Demographic data compiled during the 2000 census for CNB's Erie AA categorizes income levels of families as follows:

- 18.26% of Erie AA families are low-income families
- 18.73% of Erie AA families are moderate-income families
- 23.38% of Erie AA families are middle-income families
- 39.63% of Erie AA families are upper-income families

The following table details the distribution of residential mortgages originated by CNB in its Erie AA during 2003, among AA borrowers of different income levels.

Borrower Distribution of Residential Real Estate Loans in the Erie AA for 2003								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Mortgage Loans	18%	7%	19%	16%	23%	26%	51%	51%

CNB'S record of residential mortgage lending among borrowers of different income levels is reasonable considering Erie AA demographics. Reported HMDA data detailing residential mortgage loans originated during 2003 was analyzed. The analysis was performed to assess the distribution among Erie AA borrowers of different income levels compared to the income levels of AA families.

AA demographic information derived from annually updated HUD data, reports that of AA families 18% and 19% are of low- and moderate-income respectively. For 2003, low-income Erie AA families by definition are families with annual incomes below \$25,300. Moderate-income Erie AA families by definition are families with annual incomes between \$25,300 and \$40,480.

As indicated below, reported HMDA data revealed that residential mortgage loans originated by CNB in 2003 to low and moderate-income Erie AA borrowers represented 7% and 16% of loan dollars, respectively. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the CNB operates.

CNB's record of lending to moderate-income Erie AA borrowers is good compared to the percentage of moderate-income Erie AA families. The volume of sampled residential mortgage loans originated by CNB to moderate-income borrowers approximates the percentage of moderate-income borrowers in CNB's Erie AA.

CNB's record of originating residential mortgage loans to low-income Erie AA borrowers is reasonable considering Erie AA demographics. Although CNB's record of originating residential mortgages to Erie AA borrowers does not reflect the representation of low-income Erie AA residents, it nevertheless is considered to be reasonable. CNB's record of originating residential mortgage loans to low-income Erie AA borrowers is affected by demographics including the extent to which the AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

Erie AA Borrower Income Distribution – 2004-05

Demographic data compiled during the 2000 census for CNB's Erie AA categorizes income levels of families as follows:

- 18.27% of Erie AA families are low-income families
- 18.76% of Erie AA families are moderate-income families
- 23.41% of Erie AA families are middle-income families
- 39.56% of Erie AA families are upper-income families

The following table details the distribution of residential mortgages originated by CNB in its Erie AA during 2004 and the first quarter of 2005, among AA borrowers of different income levels.

Erie AA Borrower Distribution of Residential Real Estate Loans for 2004 and 2005								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Mortgage Loans	18%	9%	19%	24%	23	19%	51%	47%

CNB'S record of residential mortgage lending among borrowers of different income levels is reasonable considering Erie AA demographics. Reported HMDA data detailing residential mortgage loans originated during 2004 and the first quarter of 2005 was analyzed. The analysis was performed to assess the distribution among Erie AA borrowers of different income levels compared to the income levels of AA families.

AA demographic information derived from annually updated HUD data, reports that of AA families 18% and 19% are of low- and moderate-income respectively. For 2004, low-income Erie AA families by definition are families with annual incomes below \$25,700. Moderate-income Erie AA families by definition are families with annual incomes between \$25,700 and \$41,120.

As indicated below, reported HMDA data revealed that residential mortgage loans originated by CNB in 2004 and the first quarter of 2005 to low and moderate-income Erie AA borrowers represented 7% and 16% of loan dollars, respectively. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the CNB operates.

CNB's record of originating residential mortgage loans to moderate-income Erie AA borrowers is excellent. The volume of residential mortgage loans originated by CNB to moderate-income borrowers exceeds the percentage of moderate-income borrowers in CNB's Erie AA.

CNB's record of originating residential mortgage loans to low-income Erie AA borrowers is reasonable considering Erie AA demographics. Although CNB's record of originating residential mortgages to Erie AA borrowers does not reflect the representation of low-income Erie AA residents, it nevertheless is considered to be reasonable. CNB's record of originating residential mortgage loans to low-income Erie AA borrowers is affected by a combination of Erie AA demographics including the extent to which the population is age 65 or older, retired, eligible for social security not in the workforce and/or at or below poverty level.

Specifically, of households in the bank's AA, 2000 census data reports that, 14% of the Erie AA population is age 65 or older and 18% of the Erie AA households are comprised of retired residents. In addition, 29% of area households derive income from social security, 12% are considered to be at or below poverty level and over 28% do not participate in the workforce. The percentages of retired, senior, Erie AA residents and limited income, Erie AA households restrict residential mortgage demand particularly from low-income Erie AA families. Housing and Urban Development's (HUD's) annually updated median family income threshold for low-income Erie County families is \$25,694 and the median housing cost exceeds \$84,500. As a result the ability of Erie AA low-income families to actively participate in the housing market and therefore to demand residential mortgage loans is limited.

Limited residential mortgage loan demand from low -income families may be attributed to many low-income families consisting of more senior, long time residents who have already owned and occupied residences in the area for many years. For this segment of the population, often housing needs tend to shift from owner occupied housing to apartment living. Additionally, demographic information gathered in the 2000 census further reveals that of total housing units in the Erie AA, none are classified as condominiums. Therefore, options for low-maintenance living available to the aging Erie AA population, which could produce demand for home mortgage loans are limited. Therefore CNB's opportunity to originate residential mortgage loans to low -income Erie AA borrowers is affected by area demographics.

Crawford AA Borrower Income Distribution – 2003

Demographic data compiled during the 2000 census for CNB's Crawford AA categorizes income levels of families as follows:

- 17.73% of Crawford AA families are low-income families
- 19.20% of Crawford AA families are moderate-income families
- 23.02% of Crawford AA families are middle-income families
- 40.05% of Crawford AA families are upper-income families

The following table details the distribution of residential mortgages originated by CNB in its Crawford AA during 2003, among AA borrowers of different income levels.

Crawford AA Borrower Distribution of Residential Real Estate Loans for 2003								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Mortgage Loans	18%	0%	19%	22%	23	56%	40%	22%

CNB'S record of residential mortgage lending among borrowers of different income levels is reasonable considering Crawford AA demographics. Reported HMDA data detailing residential mortgage loans originated during 2003 was analyzed. The analysis was performed to assess the distribution among Crawford AA borrowers of different income levels compared to the income levels of AA families.

AA demographic information derived from annually updated HUD data, reports that of AA families 18% and 19% are of low- and moderate-income respectively. For 2003, low-income Crawford AA families by definition are families with annual incomes below \$25,300. Moderate-income Crawford AA families by definition are families with annual incomes between \$25,300 and \$40,480.

As indicated below, reported HMDA data revealed that residential mortgage loans originated by CNB in 2003 to low and moderate-income Crawford AA borrowers represented 0% and 22% of loan dollars, respectively. HMDA data also revealed that CNB originated a low volume of residential mortgage loans in its Crawford AA during 2003, which totaled only nine. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the CNB operates.

CNB's record of lending to moderate-income Crawford AA borrowers is excellent compared to the percentage of moderate-income Crawford AA families. The volume of sampled residential mortgage loans originated by CNB to moderate-income borrowers exceeds the percentage of moderate-income borrowers in CNB's Crawford AA.

CNB's record of originating residential mortgage loans to low-income Crawford AA borrowers does not reflect the representation of low-income Crawford AA residents. However, CNB's record of originating residential mortgage loans to low-income Crawford AA borrowers is affected by demographics including the extent to which the AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

Crawford AA Borrower Income Distribution – 2004-05

Demographic data compiled during the 2000 census for the bank’s Erie AA categorizes income levels of AA families as follows:

- 17.79% of Crawford AA families are low-income families
- 19.24% of Crawford AA families are moderate-income families
- 23.03% of Crawford AA families are middle-income families
- 49.93% of Crawford AA families are upper-income families

The following table details the distribution of residential mortgages originated by CNB in its Crawford AA during 2004 and the first quarter of 2005, among AA borrowers of different income levels.

Crawford AA Borrower Distribution of Residential Real Estate Loans for 2004 and 2005								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Mortgage Loans	18%	14%	19%	23%	26	28%	51%	37%

CNB'S record of residential mortgage lending among borrowers of different income levels is good considering Crawford AA demographics. Reported HMDA data detailing residential mortgage loans originated during 2004 and the first quarter of 2005 was analyzed. The analysis was performed to assess the distribution among Crawford AA borrowers of different income levels compared to the income levels of AA families.

AA demographic information derived from annually updated HUD data, reports that of AA families 18% and 19% are of low- and moderate-income respectively. For 2004, low-income Crawford AA families by definition are families with annual incomes below \$25,700. Moderate-income Crawford AA families by definition are families with annual incomes between \$25,700 and \$41,120.

As indicated below, reported HMDA data revealed that residential mortgage loans originated by CNB in 2004 and the first quarter of 2005 to low and moderate-income Crawford AA borrowers represented 14% and 23% of loan dollars, respectively. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the CNB operates.

CNB's record of originating residential mortgage loans to moderate-income Crawford AA borrowers is excellent. The volume of sampled residential mortgage loans originated by CNB to moderate-income borrowers exceeds the percentage of moderate-income borrowers in CNB's Crawford AA.

CNB's record of originating residential mortgage loans to low-income Crawford AA borrowers is good considering Crawford AA demographics. CNB's record of originating residential mortgages to Crawford AA borrowers approaches the representation of low-income Crawford AA residents. CNB's record of originating residential mortgage loans to low-income Crawford AA borrowers is affected by demographics including the extent to which the AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

Specifically, of households in the bank's AA%, 16% of the Crawford AA population is age 65 or older and 18% of the Crawford AA households are comprised of retired residents. In addition, 32% of area households derive income from social security and 12% are considered to be at or below poverty level. The percentages of retired, senior, Crawford AA residents and limited income, Crawford AA households restrict residential mortgage demand particularly from low-income Crawford AA families.

Specifically, of households in the bank's AA%, 2000 census data reports that, 16% of the Crawford AA population is age 65 or older and 18% of the Crawford AA households are comprised of retired residents. In addition, 32% of area households derive income from social security, 12% are considered to be at or below poverty level and over 28% do not participate in the workforce. The percentages of retired, senior, Crawford AA residents and limited income, Crawford AA households restrict residential mortgage demand particularly from low-income Crawford AA families. Housing and Urban Development's (HUD's) annually updated median family income threshold for low-income Crawford County families is \$23,700 and the median housing cost is \$73,164. As a result the ability of Crawford AA low-income families to actively participate in the housing market and therefore to demand residential mortgage loans is limited.

Limited residential mortgage loan demand from low-income families may be attributed to many low-income families consisting of more senior, long time residents who have already owned and occupied residences in the area for many years. For this segment of the population, often housing needs tend to shift from owner occupied housing to apartment living. Additionally, demographic information gathered in the 2000 census further reveals that of total housing units in the Crawford AA, none are classified as condominiums. Therefore, options for low-maintenance living available to the aging Crawford AA population which could produce demand for home mortgage loans is limited. Therefore CNB's opportunity to originate residential mortgage loans to low-income Crawford AA borrowers is affected by area demographics.

LENDING IN GEOGRAPHIES OF DIFFERENT INCOME LEVELS

CNB's record of lending in geographies of different income levels meets the standard for satisfactory performance since it is reasonable considering area demographics.

Erie AA Geographic Income Distribution – 2003

Demographic data compiled during the 2000 U.S. census for the CNB's Erie AA indicates that available owner occupied housing is geographically dispersed as follows:

- 1.51% of AA owner occupied housing is in low-income geographies
- 9.03% of AA owner occupied housing is in moderate-income geographies
- 62.02% of AA owner occupied housing is in middle-income geographies
- 27.43% of AA owner occupied housing is in upper-income geographies

CNB'S record of residential mortgage lending among Erie AA geographies of different income levels reflects a reasonable dispersion throughout the AA considering AA demographics. Data reported by CNB of HMDA loans originated in the Erie AA was analyzed. The analysis was performed to assess CNB's record of distributing its residential mortgage loan originations among AA geographies of different income levels.

AA demographic information derived from 2000 census data reports that of all owner-occupied housing available within the AA, only 1.51% is located within the Erie AA's low-income geographies and 9.03% is located within the Erie AA's moderate-income geographies.

As indicated below, reported HMDA data revealed that residential mortgage loans originated by CNB in 2003 in low- and moderate-income Erie AA census tracts represented 2% of residential mortgage dollars. CNB's record of originating residential mortgage loans within moderate-income Erie AA geographies is reasonable considering the limited availability and location of owner occupied housing within these moderate-income geographies. The vast majority, 89.45% of all owner-occupied housing available within the Erie AA, is located in the AA's middle- and upper-income geographies. This level of residential mortgage lending in geographies of different income levels is reasonable considering the demographic context in which CNB operates.

CNB's record of originating residential mortgage loans during 2003 in low-income geographies was not analyzed since it was determined that an analysis would not be meaningful. Opportunities for originating residential mortgage loans in the Erie AA's low

income geography are hampered by the fact that just 1.5% of AA owner occupied housing is located within the low-income geographies. Additionally, CNB's record of originating residential mortgage loans in low-income Erie AA geographies is affected by demographics including the location of those low-income geographies compared to the location of CNB's branch offices and the level of existing competition.

Erie AA Geographic Income Distribution – 2004 -05

Demographic data compiled during the 2000 U.S. census and updated by the OMB for CNB's Erie AA indicates that available owner occupied housing is geographically dispersed as follows:

- 1.50% of AA owner occupied housing is in low-income geographies
- 8.99% of AA owner occupied housing is in moderate-income geographies
- 59.95% of AA owner occupied housing is in middle-income geographies
- 29.56% of AA owner occupied housing is in upper-income geographies

CNB'S record of residential mortgage lending among Erie AA geographies of different income levels reflects a reasonable dispersion throughout the AA considering AA demographics. Data reported by CNB of HMDA loans originated in the Erie AA was analyzed. The analysis was performed to assess CNB's record of distributing its residential mortgage loan originations among AA geographies of different income levels.

AA demographic information derived from 2000 census data and updated by the OMB reports that of all owner-occupied housing available within the AA, only 1.5% is located within the Erie AA's low-income geographies and 8.99% is located within the Erie AA's moderate-income geographies.

As indicated below, reported HMDA data revealed that residential mortgage loans originated by CNB in 2004 and the first quarter of 2005, in low- and moderate-income Erie AA census tracts represented 3% of residential mortgage dollars. CNB's record of originating residential mortgage loans within moderate-income Erie AA geographies is reasonable considering the limited availability and location of owner occupied housing within these moderate-income geographies. The vast majority, 89.51% of all owner-occupied housing available within the AA, is located in the AA's middle- and upper-income geographies. This level of residential mortgage lending in geographies of different income levels is reasonable considering the demographic context in which CNB operates.

CNB's record of originating residential mortgage loans in moderate-income Erie AA geographies is reasonable compared to the percentage of owner-occupied housing available in those geographies. Although CNB's record of originating residential

mortgage loans in moderate-income Erie AA geographies does not reflect the percentage of owner-occupied available in these geographies, it nevertheless is considered to be reasonable. CNB's record of originating residential mortgage loans in moderate-income Erie AA geographies is affected by demographics including the location of those moderate-income geographies compared to the location of CNB's branch offices and the level of existing competition.

CNB's record of originating residential mortgage loans in low-income geographies was not analyzed since it was determined that an analysis would not be meaningful. Opportunities for originating residential mortgage loans in the Erie AA's low income geography are hampered by the fact that just 1.5% of AA owner occupied housing is located within the low-income geographies. Additionally, CNB's record of originating residential mortgage loans in low-income Erie AA geographies is affected by demographics including the location of those low-income geographies compared to the location of CNB's branch offices and the level of existing competition.

Specifically, the opportunity to originate residential mortgage loans within the Erie AA's limited number of moderate-income geographies is hampered since the AA's moderate-income geographies are situated in and around the City of Erie PA which is located in the northeast portion of Erie County. CNB operates a single branch office in the geographic area surrounding the City of Erie. This branch in Millcreek Township was opened in the second quarter and prompted the expansion of the Erie AA to the north to include geographies in and around the City of Erie and bordering Lake Erie. Nevertheless, with the exception of the Millcreek Township branch, all of CNB's branch offices are situated along the southern border of central Erie County bordering Crawford County. Consequently, CNB has typically originated residential mortgage loans in and near the geographies in which CNB operates its branch network which are the geographies in which CNB historically has an established presence.

Additionally, in the Erie AA, the geographies located in and around the City of Erie are heavily banked and therefore more competition exists for originating residential mortgage loans in these geographies. As previously discussed, competition consists principally of other banks, thrifts, credit unions and mortgage companies, the latter of which are frequently non-local. The larger more sophisticated profile of the competing financial institutions allows for a greater variety of products and services than can reasonably be offered by a small community bank. For the reasons discussed above, including location of geographies and branches and level of competition, CNB over the evaluation period had limited opportunities to originate residential mortgage loans in moderate-income Erie AA geographies.

Crawford AA Geographic Income Distribution – 2003

Demographic data compiled during the 2000 U.S. census for the CNB's Crawford AA indicates that available owner occupied housing is geographically dispersed as follows:

- 3.35% of AA owner occupied housing is in moderate-income geographies
- 91.01% of AA owner occupied housing is in middle-income geographies
- 5.64% of AA owner occupied housing is in upper-income geographies

CNB'S record of residential mortgage lending among AA geographies of different income levels reflects a reasonable dispersion throughout the Crawford AA considering AA demographics. Data from reported by CNB of HMDA loans originated in the Crawford AA during 2003 was analyzed. The analysis was performed to assess CNB's record of distributing its 2003 residential mortgage loan originations among Crawford AA geographies of different income levels.

AA demographic information derived from 2000 census data reports that of all Crawford County geographies, only one is classified as moderate-income. Also, of all owner-occupied housing available within the AA, only 3.35% is located within the Crawford AA's moderate-income geography.

As indicated below, reported HMDA data revealed that of residential mortgage loans originated by CNB during 2003, all were originated within middle-income Crawford AA geographies. CNB's record of originating residential mortgage loans within the only moderate-income Crawford AA geographies is reasonable considering the limited availability and location of owner occupied housing within this geography. The vast majority, 96.7% of all owner-occupied housing available within the Crawford AA, is located in the AA's middle- and upper-income geographies. This level of residential mortgage lending in geographies of different income levels is reasonable considering the demographic context in which CNB operates.

CNB's record of originating residential mortgage loans in the moderate-income Crawford AA geography is reasonable compared to the percentage of owner-occupied housing available in those geographies. Although CNB's record of originating residential mortgage loans in the moderate-income Crawford AA geography does not reflect the percentage of owner-occupied available in this geography, it nevertheless is considered to be reasonable. CNB's record of originating residential mortgage loans in the moderate-income Crawford AA geography is affected by demographics including the location of the moderate-income geography compared to the location of CNB's branch offices and the level of existing competition.

Crawford AA Geographic Income Distribution – 2004, 2005

Demographic data compiled during the 2000 U.S. census for the CNB's Crawford AA indicates that available owner occupied housing is geographically dispersed as follows:

- 3.35% of AA owner occupied housing is in moderate-income geographies
- 91.01% of AA owner occupied housing is in middle-income geographies
- 5.64% of AA owner occupied housing is in upper-income geographies

CNB'S record of residential mortgage lending among AA geographies of different income levels reflects a reasonable dispersion throughout the Crawford AA considering AA demographics. Data from reported by CNB of HMDA loans originated in the Crawford AA during 2004 and first quarter 2005 was analyzed. The analysis was performed to assess CNB's record of distributing its residential mortgage loan originations among Crawford AA geographies of different income levels.

AA demographic information derived from 2000 census data reports that of all Crawford County geographies, only one is classified as moderate-income. Also, of all owner-occupied housing available within the AA, only 3.35% is located within the Crawford AA's moderate-income geography.

As indicated below, reported HMDA data revealed that of residential mortgage loans originated by CNB during 2004 and the first quarter of 2005, all were originated within middle-income Crawford AA geographies. CNB's record of originating residential mortgage loans within the only moderate-income Crawford AA geographies is reasonable considering the limited availability and location of owner occupied housing within this geography. The vast majority, 96.7% of all owner-occupied housing available within the Crawford AA, is located in the AA's middle- and upper-income geographies. This level of residential mortgage lending in geographies of different income levels is reasonable considering the demographic context in which CNB operates.

CNB's record of originating residential mortgage loans in the moderate-income Crawford AA geography is reasonable compared to the percentage of owner-occupied housing available in those geographies. Although CNB's record of originating residential mortgage loans in the moderate-income Crawford AA geography does not reflect the percentage of owner-occupied available in this geography, it nevertheless is considered to be reasonable. CNB's record of originating residential mortgage loans in the moderate-income Crawford AA geography is affected by demographics including the location of the moderate-income geography compared to the location of CNB's branch offices and the level of existing competition.

Specifically, the opportunity to originate residential mortgage loans within the Crawford AA's only moderate-income geography is hampered since the AA's moderate-income

geography is not situated reasonably close to CNB's branch offices, which are all situated north of the border of Crawford County in Erie County. Consequently, CNB has typically originated residential mortgage loans in Crawford County in the geographies closest to the Erie County border. These are the geographies in which CNB historically has an established presence.

There were no unexplained or conspicuous gaps in geographic residential mortgage lending noted.

RESPONSE TO COMPLAINTS

No complaints have been received since the last examination.