



## PUBLIC DISCLOSURE

January 06, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Mars National Bank  
Charter Number 5599

145 Grand Avenue  
Mars, PA 16046

Office of the Comptroller of the Currency

Corporate One Office Park, Bldg 2  
4075 Monroeville Blvd, Suite 300  
Monroeville, PA 15146-2529

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

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

- The Mars National Bank's (MNB) record of originating loans is reasonable as evidenced by its loan-to-deposit ratio compared with that of its custom peer group of banks.
- MNB originated a substantial majority of its residential real estate and small business loans inside its assessment area (AA).
- MNB's record of originating residential real estate loans to borrowers of different income levels is reasonable.
- MNB's record of originating small business loans reflects a reasonable penetration of borrowers of different income levels and to businesses of different sizes.
- MNB's record of originating residential real estate loans reflects a reasonable dispersion among AA geographies of different income levels.
- MNB's record of originating small business loans reflects a reasonable dispersion among AA geographies of different income levels.
- MNB's community development (CD) performance demonstrates an excellent responsiveness to the CD needs of the AA through CD lending, investments and services.

## **Scope of Examination**

MNB's performance relative to the Community Reinvestment Act (CRA) was evaluated under the Intermediate Small Bank (ISB) examination procedures. The ISB procedures include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs of its AA through funding CD loans and investments and participating in CD services.

MNB's primary loan products consist of residential mortgage and small business loans. MNB's record of originating residential mortgages and loans to small businesses was evaluated over the period between January 1, 2012 and December 31, 2013. Residential mortgage lending includes home purchase, home improvement and home mortgage refinance loans. Small business loans include loans to businesses with annual revenue under \$1 million.

In order to evaluate MNB's record of originating residential mortgage loans, we analyzed loan data collected and reported by MNB in accordance with Home Mortgage Disclosure Act (HMDA) requirements. We performed a data integrity target examination to ensure the reliability of the bank's HMDA loan data.

We evaluated processes employed by MNB to ensure the accurate and complete reporting of HMDA data. We tested the accuracy of MNB's HMDA loan data by comparing a sample of reported loans with MNB's loan file documentation. The data integrity examination revealed that MNB's publicly available HMDA loan data could be relied upon for the purposes of this CRA performance evaluation.

In order to evaluate MNB's record of originating small business loans, we collected and analyzed data from the bank's report of loans to small businesses originated by MNB during the evaluation period from January 1, 2012 through December 31, 2013.

MNB's record of CD performance was evaluated over the period between January 5, 2010 and December 31, 2013. The evaluation period relative to MNB's CD performance represents the time period between the conclusion of MNB's last CRA performance evaluation and the start of its current CRA performance evaluation. CD-related activities included in this evaluation were CD loans, investments and services.

## **Description of Institution**

MNB is an independently-owned, intrastate community bank. MNB's headquarters and main office are located in Mars, Pennsylvania. The borough of Mars is located in Butler County in Western Pennsylvania. Mars, PA is located only four (4) miles from Cranberry Township, a business hub near Routes 79, 19, 228 and the Pennsylvania Turnpike. Butler County is located approximately 30 miles northeast of Pittsburgh, Pennsylvania. MNB's assessment area includes middle and southern Butler County, portions of eastern Beaver and northern Allegheny Counties, which are contiguous to Butler County.

As of September 30, 2013, MNB's assets totaled \$356.9 million, with deposits that totaled \$317.2 million and Tier One Capital that totaled \$34.7 million. Net loans and leases totaled \$159.3 million, representing 44.6 percent of total assets. Assets included investments of \$175.8 million, real estate loans of \$83.0 million, commercial loans of \$71.5 million, and individual loans of \$4.7 million. The remainder of MNB's asset mix consisted of \$21.8 million in cash and other assets. Residential (1-4 family) mortgage loans, commercial mortgages and commercial and industrial loans represented 52.1 percent, 27.4 percent, and 11.7 percent, respectively of MNB's loan portfolio. The bank sold \$30.1 million in loans in 2013 to the secondary market. The sale of these loans lowered the bank's loan to deposit ratio. Residential mortgages and loans to small businesses are the primary lending focus of the bank and these products comprise the majority of MNB's loan portfolio (91.3%).

MNB operates five (5) full-service, retail branch offices. MNB's retail branch office network is primarily located within Butler County with four (4) of the bank's retail branches being located within southern Butler county. One (1) retail branch is located in Allegheny County. MNB did not open any branches during the evaluation period. MNB did close two (2) branches during the evaluation period. MNB operates automated teller machines (ATMs) in conjunction with all of its retail branches.

There are no factors, legal or otherwise, that hindered MNB's ability to help meet the credit needs of its Assessment Area (AA). MNB's most recent Performance Evaluation, dated January 4, 2010, assigned a "Satisfactory" CRA rating to the bank.

## **Description of Assessment Area**

MNB has identified seventy-one (71) whole contiguous census tracts (CTs) or geographies as its AA. The bank has not added any new CTs to its AA since 2000. All of the AA CTs are located within three adjacent counties in Pennsylvania. Specifically, the AA includes Southern Butler County, the eastern portion of Beaver County, and the northern edge of Allegheny County. The majority of CTs are located in Butler County, which contains 35 CTs. There are an additional 5 CTs located in Beaver County and 31 CTs located in Allegheny County.

The AA is comprised primarily of middle- and upper- income CTs, which total thirty-three (33) and thirty (30), respectively. MNB's AA contains one (1) low- income and seven (7) moderate-income CTs. MNB's entire AA is located within the Pittsburgh Metropolitan Statistical Area (MSA). MNB's AA was delineated by including whole geographies in which the bank has its branch locations, in addition to the surrounding geographies in which the bank originated a substantial portion of its loans. The AA complies with all regulatory requirements and does not arbitrarily exclude low- or moderate-income areas.

The following table outlines basic demographic data for MNB's AA:

| Demographic Information for Full Scope Area: Mars National Bank 2012-2013                            |         |                              |  |               |   |            |
|--|---------|------------------------------|--|---------------|---|------------|
| Demographic Characteristics  | #       | Low % of #                   | Moderate % of #  | Middle % of # | Upper % of #                              | NA* % of # |
| Geographies (Census Tracts/BNAs)   | 71      | 1.41                         | 9.86   | 46.48         | 42.25                                     | 0.00       |
| Population by Geography  | 303,256 | 1.18                         | 7.70   | 40.08         | 51.04                                     | 0.00       |
| Owner-Occupied Housing by Geography  | 93,735  | 0.61                         | 6.07   | 42.55         | 50.78                                     | 0.00       |
| Business by Geography  | 29,492  | 1.39                         | 7.17   | 35.97         | 55.47                                     | 0.00       |
| Farms by Geography   | 926     | 0.11                         | 6.37   | 55.18         | 38.34                                     | 0.00       |
| Family Distribution by Income Level  | 83,038  | 12.77                        | 14.89  | 20.72         | 51.62                                     | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies                           | 22,973  | 2.24                         | 14.50  | 50.74         | 32.52                                     | 0.00       |
| Median Family Income<br>HUD Adjusted Median Family Income for 2013<br>Households Below Poverty Level |         | \$62,376<br>\$65,100<br>6.6% | Median Housing Value<br>Unemployment Rates (Nov. 2013 US Bureau of Labor Statistics)<br>Pennsylvania<br>Allegheny County<br>Beaver County<br>Butler County |               | \$175,044<br>6.8%<br>5.9%<br>7.0%<br>5.5% |            |

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2013 HUD updated MFI

For MNB's AA, the 2010 census reports a total population of 303,256, total families of 83,038 and total owner-occupied households of 93,735.

Of 125,862 total AA housing units, 74.5% are owner occupied, 18.0% are rentals and 7.5% are vacant. Of AA owner-occupied housing, 0.6% is located within low-income CTs and 6.1% is located within moderate-income CTs. The median housing value in MNB's AA is \$175,044. The housing stock in Butler County consists primarily of newer homes, those built in 1970 or later.

United States Department of Housing and Urban Development (HUD) data updated for 2013, reports the MSA median family income to be \$62,376. Of AA families, 12.8%, 14.9%, 20.7% and 51.6% are classified as low-, moderate-, middle- and upper-income, respectively. In the AA, 6.6% of the population subsists below the poverty level. These AA demographic factors significantly impact housing affordability and corresponding residential mortgage loan demand from low- and moderate-income AA residents.

MNB operates five (5) full service branches, four (4) of which are located in Butler County. One (1) branch is located in Allegheny County. The bank closed the Russellton, Allegheny County, office on February 1, 2012. The branch was located in a middle-income census tract. The bank closed the Adams Township, Butler County,

Drive-through facility on December 31, 2013. The facility was located in a middle-income census tract.

The Pittsburgh metropolitan area, including MNB's AA, is one of Pennsylvania's strongest metropolitan areas. According to the 2013 business demographic data, 30,418 businesses operate within MNB's AA, of which 926 are farms. Area industry is centered in services (45.2%) and retail trade (11.1%).

Major employers within MNB's AA include Westinghouse, Butler Health Systems, Iron Mountain, Verizon Wireless and AK Steel. Employment within MNB's AA is diversified with retail, manufacturing, services and healthcare opportunities. Unemployment rates reported as of November 2013, from the Bureau of Labor Statistics for Allegheny, Beaver and Butler Counties were 5.9%, 7.0% and 5.5%, respectively. The State unemployment rate was 6.6% for the same time period. According to the County of Butler annual report for 2012, the population in Butler County increased 5.6% from 2000 to 2010.

Area banking competition is strong. MNB's AA contains branches from large financial institutions, savings institutions and community banks. PNC Bank, First National Bank of Pennsylvania and Citizen's Bank of Pennsylvania have a 24.7%, 11.8% and 11.4% deposit share in the AA, respectively. In addition, mortgage competition is strong as well. Wells Fargo, PNC Bank and JP Morgan Chase have a 17.5%, 7.8% and 7.0% market share, respectively, in the 1-4 family residential mortgage market. MNB is ranked 32<sup>nd</sup> in this mortgage market with a 0.7% market share. Discussions with management confirmed that within the AA, credit needs continue to be concentrated primarily in residential mortgages and small business loans. The bank will continue to concentrate in these products.

As part of our evaluation process, we made contact with representatives from two community-based non-profit organizations, one for low- and moderate-income (LMI) housing and one for small business development. The community development contacts (CDC) discussed banks in the AA that have been willing to take the lead to help with the affordable housing, housing rehabilitation and small business credit needs in Butler County. The non-profit housing corporation sees a need for not only new construction for LMI households, but funds to support the rehabilitation of existing properties for these households and to support the modification of homes for those LMI families with special access needs. The CDC that we contacted are working with several other agencies to streamline the small business incubator process and to stop the overlap of time and money that is happening when a new business shows interest in Butler County.

## **Conclusions with Respect to Performance Tests**

The conclusion on MNB's performance is primarily based on its performance in the Butler County Area of the AA. The Butler County Area is the AA in which MNB has historically operated and has a significant presence. MNB operates most of its full

service retail branches within the AA, with four (4) retail branches being located within Butler County. It derives the majority of deposits in the AA and MNB originates a majority of its loans inside of the AA.

In arriving at the lending test conclusions, equal weight was placed on MNB's record of originating residential mortgage loans and small business loans, since both residential lending and small business lending represents a primary focus of the bank and a significant portion of its lending.

## **LENDING TEST**

### **Loan-to-Deposit Ratio**

MNB's loan-to-deposit (LTD) ratio, as compared to the average LTD ratio exhibited by peer banks over the same period, is reasonable.

MNB's quarterly average LTD ratio is reasonable compared to similarly situated financial institutions operating in the same AA, within the context of competitive factors present. MNB's average quarterly LTD ratio for the evaluation period is 47.2 percent. This ratio is below the quarterly average LTD ratio for similarly-situated financial institutions at 70.8 percent. Similarly situated financial institutions included Pennsylvania banks with assets between \$396 million and \$530 million, and also operating within the same counties as MNB. The bank sold \$30.0 million in loans in 2013. If the sold loans had remained on the bank's balance sheet, the LTD would have increased by at least 6.7% to just over 50%.

Lending activity over the evaluation period was measured by comparing the fifteen-quarter average LTD ratios reported by MNB and its local peer group. The fifteen-quarter average LTD was calculated using financial data reported since the previous evaluation. The calculation included quarter end financial data reported for each of the fifteen quarters from the first quarter of 2010 through the third quarter of 2013.

### **Lending in Assessment Area**

MNB originated a majority of its residential mortgage loans and small business loans inside its AA.

In order to evaluate MNB's lending in its AA over the evaluation period, we measured and analyzed MNB's record of originating loans inside compared to those originated outside of its AA. We compared the volume of residential and small business loans originated within the AA to the volume of loans outside of the AA. Residential and business lending constitutes MNB's primary loan products.

We measured and analyzed residential real estate and small business loans originated by MNB during 2012 and 2013. MNB's residential real estate loan originations included loans for purposes of home purchase, home improvement and home refinance. We

also analyzed loans to small businesses by collecting data from the small business loans originated by MNB during the same evaluation period.

The analysis of MNB's residential real estate loans originated during the evaluation period shows that 423 HMDA-reportable loans were originated, for a total of \$69.3 million. Three-hundred one (71.2 percent of the total number) of those residential mortgage loans were originated in the AA, resulting in a total volume of lending in the AA of \$42.9 million (61.9 percent of the dollar volume of residential mortgage loans). There were one-hundred twenty-two (28.8 percent of the total number) residential real estate loans originated outside the AA, for a total volume of \$26.4 million (38.1 percent of the dollar volume) of residential mortgage loans. An analysis of 38 loans to small businesses from the same time period revealed that twenty-seven (71.1 percent) of the small business loans were originated within the AA.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

### **Residential Lending**

MNB's record of originating residential real estate loans to borrowers reflects a reasonable penetration among AA borrowers of different income levels. MNB's record of originating loans to small business borrowers of different sizes is reasonable.

Data collected and reported by MNB in accordance with HMDA requirements was analyzed. The analysis was performed to assess MNB's record of distributing its residential real estate loan originations among AA borrowers of different income levels.

Demographic data compiled during the 2010 census for MNB's AA, reports income levels of AA families as follows:

- 12.8 percent of AA families are low-income families
- 14.9 percent of AA families are moderate-income families
- 20.7 percent of AA families are middle-income families
- 51.6 percent of AA families are upper-income families

Low-income AA families, by definition, are families with annual incomes below \$32,550. Moderate-income AA families are families with annual incomes between \$32,550 and \$52,080.

The following table details the distribution of residential real estate loans originated by MNB during the evaluation period in its AA, among borrowers of different income levels.

| <b>Table 1 – Mars National Bank AA Borrower Distribution of Residential Real Estate Loans</b> |                  |                 |                  |                 |                  |                 |                  |                 |
|---|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| Borrower Income Level   | Low              |                 | Moderate         |                 | Middle           |                 | Upper            |                 |
| Loan Type   | % of AA Families | % of Bank Loans | % of AA Families | % of Bank Loans | % of AA Families | % of Bank Loans | % of AA Families | % of Bank Loans |
| Home Purchase   | 12.77%           | 1.72%           | 14.89%           | 18.97%          | 20.72%           | 22.41%          | 51.62%           | 56.90%          |
| Home Improvement  | 12.77%           | 13.85%          | 14.89%           | 18.46%          | 20.72%           | 18.46%          | 51.62%           | 49.23%          |
| Home Mortgage Refinance   | 12.77%           | 4.02%           | 14.89%           | 18.39%          | 20.72%           | 23.56%          | 51.62%           | 54.02%          |

Source: Data reported under HMDA; 2010 U.S. Census data.

The percentage of home purchase loans and home-mortgage refinance loans originated to low-income families is lower than the percent of low-income families in the AA. The percentage of home improvement loans to low-income families exceeded the percentage of low-income families in the AA. Several factors contribute to the lower level of penetration to low-income families in the AA. Only one (1) of the bank's seventy-one (71) CTs is a low-income CT. Also, 19.7% of the housing units in the AA are rental units with only 7.5% percent of the rental units being vacant. These two factors provide more competition among landlords resulting in lower rental costs for tenants. Lower rental costs could possibly reduce the desire for home ownership among low-income families in all CTs of the AA.

The percentage of home purchase loans to moderate-income families exceeds the percentage of moderate-income families in the AA; the percentage of home improvement loans and the percentage of home-mortgage refinance loans exceed the percentage of moderate-income families in the AA. There are seven (7) moderate-income CTs within the bank's AA.

### **Small Business Lending**

The bank's record of originating loans to small businesses of different income levels is reasonable.

MNB has demonstrated a reasonable penetration in its lending to AA small businesses. Data collected from MNB's small business loans originated in the AA was analyzed. The analysis was performed to assess MNB's record of distributing its small business loan originations to businesses of different sizes.

Small business loans are defined as those loans made to business enterprises whose annual gross revenues are \$1 million or less. Within the AA, 71.2 percent of businesses

are classified as small businesses. Comparatively, 38 of the 87 (43.7 percent) businesses in our review had annual revenues equal to or less than \$1 million.

Business demographic data compiled from the AA 2012 business demographic data shows the following revenue results:

- 71.2 percent report annual revenues < or = \$1 million
- 4.2 percent report annual revenues > than \$1 million
- 24.6 percent did not report annual revenues

The vast majority of business purpose loans originated by MNB to businesses represent the smaller dollar amounts needed by small businesses. For example, of reviewed business purpose loans originated by MNB, nearly forty-five (44.8) percent were originated for dollar amounts of \$100,000 or less.

### **Geographic Distribution of Loans**

MNB's record of originating residential mortgage and small business loans reflects a reasonable dispersion among AA geographies of different income levels.

### **Residential Real Estate Lending**

MNB has demonstrated a reasonable dispersion in its origination of residential real estate loans to geographies of different levels within the AA.

Data collected and reported by MNB in accordance with HMDA requirements was analyzed. The analysis was performed to assess MNB's record of distributing its residential real estate loan originations among AA geographies of different income levels.

Demographic data compiled during the 2010 U.S. census for MNB's AA indicates that owner-occupied AA housing is geographically disbursed as follows:

- 0.6 percent are located in low-income geographies.
- 6.1 percent are located in moderate-income geographies.
- 42.6 percent are located in middle-income geographies.
- 50.8 percent are located in upper-income geographies.

There is one (1) low-income and there are seven (7) moderate-income geographies in the AA. Less than seven (7) percent of owner-occupied housing is in low- and moderate-income geographies. The majority of owner-occupied housing (50.8 percent) is located in upper-income geographies.

The following table details the distribution of residential real estate loans originated by MNB during the evaluation period in its AA geographies of different income levels.

| Census Tract<br>Income Level | Low                                     |                       | Moderate                                |                       | Middle                                  |                       | Upper                                   |                       |
|------------------------------|---|-----------------------|---|-----------------------|---|-----------------------|---|-----------------------|
|                              | % of AA<br>Owner<br>Occupied<br>Housing | % of<br>Bank<br>Loans |
| Home<br>Purchase             | 0.61%                                   | 0.00%                 | 6.07%                                   | 0.00%                 | 42.55%                                  | 41.38%                | 50.78%                                  | 58.62%                |
| Home<br>Improvement          | 0.61%                                   | 0.00%                 | 6.07%                                   | 3.08%                 | 42.55%                                  | 47.69%                | 50.78%                                  | 49.23%                |
| Home<br>Refinance            | 0.61%                                   | 0.56%                 | 6.07%                                   | 1.12%                 | 42.55%                                  | 46.63%                | 50.78%                                  | 51.69%                |

*Source: Data reported under HMDA; 2010 U.S. Census data.*

MNB's record of originating home purchase and home improvement loans within low-income AA geographies is lower than the ratio of owner-occupied housing available within low-income AA geographies. The bank's record of originating home mortgage refinance loans within low-income AA geographies met the ratio of owner-occupied housing available within low-income AA geographies.

MNB's record of originating home purchase and home-mortgage refinance loans within moderate-income AA geographies is lower than the ratio of owner-occupied housing available within moderate-income AA geographies. The bank's record of originating home improvement loans within the moderate-income AA geographies was slightly lower than the ratio of owner-occupied housing available within moderate-income AA geographies.

### **Small Business Lending**

The bank's record of originating loans to small businesses among geographies of different income levels within the AA reflects a reasonable dispersion.

Data collected from MNB's small business loans originated in MNB's AA was analyzed. The analysis was performed to assess MNB's record of distributing its small business loan originations among AA geographies of different income levels. We analyzed the bank's lending relationship with thirty-eight (38) small business loans.

Demographic data compiled during the 2010 U.S. census for MNB's AA indicates that businesses, including small businesses, are geographically dispersed as follows:

- 1.4 percent are located in low-income geographies.
- 7.2 percent are located in moderate-income geographies.
- 36.0 percent are located in middle-income geographies.
- 55.5 percent are located in upper-income geographies.

MNB's record shows that 59.3 percent of small business purpose loans originated by the bank over the evaluation period, were originated within middle-income AA geographies and there were no loans made in low-income or moderate income census tracts. Comparatively, of AA businesses, 36.0 percent are located within middle-income AA geographies.

MNB's record of originating small business loans in the bank's AA low- and moderate-income geographies is reasonable, given the percentage of businesses located within the low- and moderate-income AA geographies. As described previously, the AA has one (1) low-income geography and seven (7) moderate-income geographies.

### **Responses to Complaints**

One (1) complaint has been received since the previous performance evaluation. This complaint was received from a non-consumer entity and was resolved in a timely manner. The complaint was not related to the bank's lending or community development activities.

## **COMMUNITY DEVELOPMENT TEST**

MNB's CD performance represents an excellent responsiveness to the CD needs of its AA.

### **Number and Amount of Community Development Loans**

Competition from both large regional and other area community financial institutions for originating CD loans is significant. Local not-for-profit organizations increasingly use tax credit, bond issues and grant money to finance CD projects. These alternative resources decrease the need for CD financing by banks. However, MNB found opportunities in the community to originate CD loans.

MNB, over the evaluation period, originated eight (8) CD loans totaling \$630,095 within the bank's AA. The CD loans were responsive to identified AA community needs and help fulfill a wide range of community needs, including affordable housing, community service organizations, and revitalization/stabilization situations. The CD loans originated by MNB that would not otherwise be identified as a small business loan are described below.

- During the evaluation period, MNB originated \$369 thousand in loans to an agency that provides assistance to the Butler County community with economic development, community revitalization and affordable housing and home ownership opportunities.
- MNB originated \$200 thousand in loans to a center that provides shelter to those who find themselves unexpectedly homeless, provides food for LMI families, and transportation for those LMI families with employed individuals who have no vehicle.
- MNB originated \$60 thousand in loans to a not for profit organization that builds and repairs houses all over Butler County, using volunteer labor and donations. Their partner families purchase these houses through no-profit, no-interest mortgage loans or through innovative financing methods.

Overall, the CD loans originated within the AA total \$630 thousand, and represent 1.8 percent of net tier one capital of \$34.7 million, as of September 30, 2013.

### **Number and Amount of Qualified Investments**

There were limited investments available inside the AA during the evaluation period. However, MNB did fund several LMI investments, totaling \$6.5 million, within its MSA (38300) and Pennsylvania during the evaluation period.

- The bank directly provided \$283 thousand to a sanitation authority within the bank's MSA and is located just outside of the bank's AA. The funds will be used for capital projects and a debt service reserve.
- The bank provided approximately \$205 thousand to an area school district within the bank's MSA and is located just outside of the bank's AA. The funds will be used for the construction of a new elementary school in this LMI school district.
- The bank provided approximately \$1.5 million through an SBA Loan. This is an ARM Loan Pool for LMI qualified loans. Only loans located in Pennsylvania were reported for this evaluation period.
- The bank purchased five (5) Pennsylvania Housing Finance Agency Revenue Bonds with a value of \$1.1 million. The bonds are derived from single family home mortgages made to LMI households within the AA, MSA and/or Statewide LMI communities.
- The bank purchased approximately fourteen (14) municipal bonds with a value of \$3.6 million. These communities are located within the bank's MSA and statewide. These municipalities are located within LMI communities.

Over the evaluation period, and within its AA, MNB funded seventy-five (75) CD donations totaling \$162,638. Donations supported a variety of organizations that restore and provide affordable housing and provide for a wide-range of community services for Low and Moderate income individuals.

Overall, the CD investments originated within the AA, in the MSA and Statewide, totaled \$6.7 million, and represent 19.3 percent of Net Tier One Capital of \$34.7 million, as of September 30, 2013.

### **Extent to which the Bank Provides Community Development Services**

The bank has an excellent responsiveness to the CD services needs of the AA. MNB participated in various CD services, which included 353 board and committee meetings related to the financial needs of the organizations supported and at least 945 hours of other financial-related committee work. A few of the CD services in which MNB representatives participated are described below.

- An MNB employee serves as Board Member, Finance Committee Member, and Executive Director Search Committee for Family Guidance, Inc. The employee spends at least 48 hours per year and attends at least 11 meetings per year for the organization.
- An MNB employee serves a Board Member, Executive Committee and as Treasurer for the Court Appointed Special Advocates of Allegheny County and assists in supporting court appointed volunteer advocacy so that abused and neglected children can be safe and have the opportunity to thrive. The employee spends at least 60 hours per year and attends at least 7 meetings per year for the organization.
- An MNB employee serves as a member of the Loan Committee and the Risk Rating Committee for the Regional Development Funding Corporation (RDFC) in Allegheny County. The RDFC, on behalf of the U.S. Small Business Administration, Pittsburgh District Office, provides economic development financing for land, improving land, purchasing and/or remodeling an existing building, new construction, the purchase of machinery and equipment and other acceptable costs. The employee spends at least 52 hours per year and attends at least 30 meetings and conference calls per year for the organization.
- An MNB employee is involved in Big Brothers and Big Sisters (BBBS) of Beaver County. The employee is part of the board and financial committees and oversees the budget of the organization. BBBS is committed to building stronger communities by providing mentors to match children from single parent, low to moderate income, living in at-risk neighborhoods. The employee spends at least 50 hours per year and attends at least 17 meetings per year for the organization.

### **Responsiveness to Community Development Needs**

MNB participated in various CD loans, investments and services, which more than adequately responded to its AA needs.

MNB's retail branch office network is located within Butler (4 offices) and Allegheny (1 office) counties. MNB operates five (5) full service retail branch offices. There are two (2) branches in middle-income census tracts and three (3) branches operate in upper-

income census tracts. There is one (1) low-income census tract and seven (7) moderate-income census tracts within the AA.

MNB did not open any new branches during the evaluation period. MNB closed two (2) branches, in Russellton and Adams Township, during the evaluation period. These two branches are located in middle-income census tracts.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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