



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

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

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

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Northern Pennsylvania Field Office
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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 (FNC)** 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:

- FNC’s level of lending is good.
- The geographic distribution of loans by income level of geography is good for small loans to businesses and consumer loans, while geographic distribution is adequate for HMDA loans.
- Borrower distribution of small loans to businesses and consumer loans is excellent, while borrower distribution for HMDA loans is adequate.
- Community development loans had a positive impact on the lending test rating.
- Innovative and flexible lending practices had a positive impact on the lending test.
- FNC has a good level of community development investments and is responsive to the identified credit needs in the assessment area.
- Retail services are accessible to geographies and individuals of different income levels within the assessment area.
- The bank provides a good level of community development services in the assessment area.

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.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

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 household 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 or a block numbering area 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 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).

Home Mortgage Loans: such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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 primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 (FNC) is headquartered in Dunmore, Pennsylvania. As of December 31, 2001, its assets were \$676 million. The bank has offices located in the eastern Pennsylvania counties of Luzerne and Lackawanna. FNC is an intrastate bank with thirteen full service branches, each with a drive-up facility. Eleven of the branches have automated teller machines (ATMs). In addition, there are four remote location ATMs.

FNC's last Public Evaluation (PE) was dated February 16, 1999 and the overall CRA rating assigned was **Satisfactory**. Since the previous PE, FNC has not closed any branches, but has opened five new branches. There are no financial or legal impediments to hinder FNC's ability to help meet its community credit needs. FNC has one operating subsidiary, FNCR Realty. The subsidiary is used for the legal disposal of property acquired through foreclosure.

FNC is a wholly owned subsidiary of First National Community Bancorp, Inc. (FNCR), a one-bank holding company also headquartered in Dunmore, Pennsylvania, with total assets of \$676 million as of December 31, 2001. FNC is a full service community bank offering primary products that include residential mortgages, small business loans, and consumer installment loans. As of December 31, 2001 net loans and leases represent 65% of average assets. The loan portfolio is comprised of residential mortgages (19%), commercial loans (63%), consumer loans (15%), and municipal loans (3%). Net Tier 1 Capital is \$51 million as of December 31, 2001. Competition in the area is very strong and includes local community banks, regional banks, national financial institutions, and mortgage companies.

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, 1999 through December 31, 2001. Under the Lending Test, home mortgage loans, small loans to businesses, consumer loans, and CD loans were evaluated. The bank originated only twelve multi-family loans and a discussion of multi-family loans is not included in this evaluation due to the limited volume of loans. FNC 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 17, 1999 to February 19, 2002.

Data Integrity

Prior to the commencement of the examination, FNC'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 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 assessment area (AA), Luzerne and Lackawanna counties in MSA 7560. 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 is 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. Our discussion was conducted via the telephone and the contact provided us with information regarding the credit needs of the community as well as banking needs and general economic conditions of the area. From our discussion and information reviewed during the examination, we learned that loans to small businesses and housing credit, especially affordable home purchase mortgages and home rehabilitation loans, are the primary credit need within the AA. The group also noted the need for low cost, low minimum, balance consumer loans. Affordable housing is available within the AA, but not always in the most desirable locations.

Fair Lending Review

An analysis of the bank's 1999, 2000 and 2001 public comment consumer complaint information and 1999, 2000, 2001 HMDA and small business lending data was performed according to the OCC's risk based fair lending approach. Based on the analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1999.

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 a full scope review, the bank's performance in their assessment area is good.

Lending Activity

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

Lending activity is good. The bank's lending patterns are reflective of the credit needs of the community, which are primarily small business, housing, and consumer lending. As a result, the bank's lending is centered in small loans to businesses, which represent 66% of total loans originated during the evaluation period. As a percentage of all home mortgage loans originated by the bank, home purchase loans represent 28%, home improvement 25%, refinance 46%, and multi-family 1%. In the aggregate, home mortgage loans represent 33.5% of total originations. There is no small farm lending based on the credit demand at the bank. CD loans make up the remaining 0.5%. In addition, on Table 1 - Other Products, note 6,741 consumer loans totaling \$87 million.

FNC has thirteen offices and 100% of its deposits in this AA. Market share of deposits is 5.46% and FNC is ranked 6th for total market share of deposits. Market share for small loans to businesses, home purchase, home improvement, and home refinance loans is 5.49%, 1.37%, 2.93%, and 1.21%, respectively.

Distribution of Loans by Income Level of the Geography

The distribution of loans by income level of geography is good.

Home Mortgage Loans

Refer to Tables 2, 3, 4, and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Geographic distribution of home mortgage loans is adequate.

Geographic distribution of home mortgages in low-income tracts is adequate for home purchase, home improvement, and home refinance mortgages. FNC's lending in low-income tracts is similar to the distribution of owner-occupied housing for all three home mortgage

products. Lending in low-income tracts is particularly challenging because there are only two low-income tracts and there are limited owner-occupied housing units, only 0.02% ~~*(what is this a percentage of??)~~ or 23 owner-occupied units in both low-income tracts. Both tracts are located in the City of Scranton. *See comments below regarding home lending in the City of Scranton.* Market share shows no lending in the low-income tracts for either home purchase, home improvement, or refinance for the year 2000.

Lending in moderate-income tracts is adequate for home purchase, home improvement, and home refinance mortgages. FNC's lending in moderate-income tracts is below the level of owner-occupied housing for all three home mortgage products. There are a total of twenty-one moderate-income tracts: six in Lackawanna County and fifteen in Luzerne County. Lending in moderate-income tracts is directly impacted by two factors:

Five of the moderate-income tracts are in the City of Scranton and are easily served by the Scranton office of FCN. However, there is an organization that provides much of the home mortgage lending to low- and moderate-income (LMI) families within the City of Scranton. FCN supports this agency through its community development lending activities and services. *Please refer to comments under community development lending and services for additional information.* However, because the housing credit needs of LMI individuals are met through the organization in the City of Scranton, there are few loans available for FNC and other banks to originate that serve these moderate-income areas. During 1999, 2000, and 2001 the housing organization originated 31 loans approximating \$1.4 million to LMI families residing in the City of Scranton. Banking competition in Lackawanna County is strong with a total of 268 HMDA reportable mortgage lenders operating in the county.

In Luzerne County, FNC's Wilkes-Barre branch is located in a moderate-income tract, but the remaining moderate tracts are south of Wilkes-Barre, while the remaining six branches are north of Wilkes-Barre. The Hanover branch, also near Wilkes-Barre, opened for business in January 2002 and is located nearer to some of the moderate-income tracts, but as of this writing management has had little time to build a customer base in the area. Banking competition is strong in Luzerne County with a total of 320 HMDA reportable mortgage lenders operating in the county.

Market share data for home purchase, home improvement, and refinance mortgages shows that lending in moderate-income tracts is also below the bank's overall market share.

Please note similar lending patterns in moderate-income tracts for small loans to businesses and consumer loans due to branch location versus moderate-income tract geography location.

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/purchase of small loans to businesses.

Geographic distribution of small loans to businesses is good.

Geographic distribution of small loans to businesses in low-income geographies is excellent and significantly exceeds the percentage of businesses located in the low-income tracts.

Market share data reveals that lending in low-income tracts exceeds the bank's overall market share.

Geographic distribution of small loans to businesses in moderate-income tracts is adequate. Geographic distribution of small loans to businesses in moderate-income geographies is below the percentage of businesses located in the moderate-income tracts. Most of the moderate-income tracts are in Luzerne County. Market share data also reveals that lending in moderate-income tracts is below the bank's overall market share. As noted above under home mortgage lending, in Luzerne County the moderate-income tracts are primarily south of Wilkes-Barre while the branches are north of the city, making lending in the moderate-income tracts challenging.

Consumer Loans

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.

Overall geographic distribution of consumer loans is good.

Geographic distribution of consumer loans in low-income geographies is good. FNC's origination of consumer loans in low-income tracts is similar to the percentage of households in those tracts.

Geographic distribution of consumer loans in moderate-income tracts is also good. FNC's origination of consumer loans in moderate-income tracts is below the percentage of households in those tracts. Again, lending in moderate-income tracts is adversely impacted by the location of moderate-income tracts versus location of branches in Luzerne County.

Lending Gap Analysis

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

Inside/Outside Ratio

An analysis of the bank's lending within its AA was performed. A substantial majority of the home mortgage loans, small loans to businesses, and consumer loans were originated within the bank's AA. For HMDA products, 93% of all originations by the number volume of loans were within the AA. For small loans to businesses and consumer loans, 88% and 76%, respectively, of all originations by number volume of loans were within the AA. A high level of lending within the AA reflects favorably on the bank's overall geographic distribution of lending by income level of geography.

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 and purchases.

The distribution of loans by income level of borrower is good when the performance context issues are taken into consideration.

Borrower distribution of home purchase loans is adequate. Borrower distribution of home purchase loans to low-income borrowers is adequate. The bank's origination of loans to low-income families is below the percentage of low-income families in the AA. The following reasons address performance context issues that affect the bank's lending to low-income borrowers.

- Low-income families represent 18.70% of the population, but 12.41% of the households are below the poverty level, making home ownership for low-income individuals difficult.
- Competition for mortgage loans is extremely strong. There are 352 lenders operating in FNC's AA. A total of 190 of those lenders originated loans to low-income borrowers, not including the lending consortium. FNC market rank for lending to low-income borrowers is 31 out of 190, primarily behind large mortgage companies and regional institutions.
- As discussed under geographic distribution, there is a lending consortium that lends to LMI borrowers, both purchase and home improvement, in one of FNC primary market areas. Market share data for 2000 reveals that the bank did not originate any loans during 2000 to low-income borrowers.

Borrower distribution of home purchase loans to moderate-income borrowers is also adequate. The bank's origination of loans to moderate-income families is below the percentage of moderate-income families in the AA. Similar performance context issues affect lending to moderate-income borrowers.

- Competition for mortgage loans is strong, with 227 lenders competing for business from moderate-income borrowers, not including the lending consortium. FNC market rank is 42, primarily behind larger mortgage companies and regional institutions.
- The lending consortium serves the needs of LMI home borrowers, both purchase and home improvement, in one of FNC primary market areas, the City of Scranton.

Market share data for 2000 reveals that the bank's lending to moderate-income borrowers is below its overall market share.

Borrower distribution of home improvement loans to LMI borrowers is good. The bank's origination of loans to low-income borrowers is below the percentage of families, and the bank's percentage of loans to moderate-income borrowers is similar to the percentage of families in the AA. Again, a high poverty rate, strong competition, and the lending consortium

are performance context issues that play a role in the bank's ability to lend to LMI individuals. Market share data for 2000 reveals that the bank's lending to low-income borrowers exceeds the bank's overall market share, and lending to moderate-income borrowers is slightly below the overall market share.

Borrower distribution of home mortgage refinance loans to LMI borrowers is good. Borrower distribution of home mortgage refinance loans to LMI borrowers is below the percentage of LMI families within the AA. The high poverty rate, strong competition, and the lending consortium in Scranton are again noted as performance context issues that affect the overall ability to lend to LMI individuals. Market share data for 2000 reveals that FNC's lending to LMI borrowers is below the bank's overall market share for both low- and moderate-income borrowers.

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/purchase of small loans to businesses.

Borrower distribution of small loans to businesses is excellent. The bank's percentage of loans to businesses with revenues of \$1 million or less is below the percentage of businesses in the AA with revenues of \$1 million or less. However, FNC's market share of loans to businesses with revenues of \$1 million or less is nearly twice its market share of small loans to all businesses. In addition, the majority of the bank's loans, 85%, are made for \$100 or less, regardless of business size. Finally, market share reports reveal heavy competition for business loans, with 63 lenders of small loans to businesses within the AA. FNC is ranked fifth out of the 63 lenders, with credit card companies representing the four companies ranked ahead of the bank.

Consumer Loans

Refer to Table 13 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

Borrower distribution of consumer loans to both low- and moderate-income borrowers is excellent. The percentage of loans to low-income borrowers (19.02%) is below the percentage of low-income households (25.70%). However, given the level of households below poverty (12.41%), the level of lending to low-income borrowers is still considered excellent. Lending to moderate-income borrowers significantly exceeds the level of moderate-income households in the AA. There is no market share data regarding consumer loans.

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 through our community contact and our internal research that there are limited opportunities for community development lending and that competition for CD loans is strong.

- FNC offers 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 borrowers. Three of the four lines were offered during the previous examination; an additional line was extended during this evaluation period. The loans originated through this community group reduce the number of loans originated directly by FNC to LMI borrowers, but without the lines of credit the community housing 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 million loan was granted to a facility to refinance and expand its medical services in downtown Scranton, in a low-income geography. The loan allowed for an anchor business to remain and expand its operations, further stabilizing the area. The facility provides employment opportunities for low-income residents in clerical and customer service positions. Finally, the location of the building provides access to health care that would otherwise be unavailable to the LMI population in the City of Scranton.
- A \$1 million loan was granted to a not-for-profit corporation that provides diagnostic and treatment services to children with a variety of health issues. The organization also provides residential child care, group home care, foster family care, caretaker care, partial hospitalization, and other services. Services are provided primarily to LMI individuals.
- A \$500 thousand loan was granted to the redevelopment authority of Lackawanna County. This is the initial phase of a redevelopment program established by the County to improve the area, including sanitation, lighting, and land usage. This program will eventually incorporate an assisted living facility for LMI individuals and medical buildings.
- The bank made a \$1.9 million loan to Luzerne County Industrial Development Authority for the purchase of two assisted-living care facilities, both serving LMI individuals.
- Two loans, one in the amount of \$3.2 million and the other \$1.2 million, were issued to a non-profit community development corporation. The purpose of the loans is to revitalize LMI areas and create affordable housing for LMI individuals. The project has been designated as a Keystone Opportunity Zone (KOZ) project. The KOZ program provides residents with relief from state income tax, local real estate taxes, and local earned income taxes for a ten-year period.
- A \$4.6 million loan was issued to benefit a human service organization. The loan supports operational offices and group homes for the mentally retarded, mental and behavioral health patients, drug and alcohol abuse patients, and autism patients, both

children and adults. The organization is located in Luzerne County, but serves a broad area, including Monroe and Lehigh counties. The group homes are operated within the guidelines of the Pennsylvania Department of Welfare and thus clients are LMI individuals. The organization provides housing and health related services both inside and outside of the bank's assessment area.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the Lending Test.

The following is a list of the bank's innovative and flexible lending products:

- The bank offers an adjustable rate mortgage (ARM) product for customers who fail to meet Freddie Mac underwriting standards and cannot qualify for a fixed rate loan. Examples of when a customer might fail to meet Freddie Mac guidelines include: derogatory credit report items, failure to qualify for PMI, high debt-to-income ratio, and non-verifiable income for at least two years. In October 2001, FNC also expanded the mortgage product offered under Freddie Mac to include two newer products with lower down payments for those customers with good credit histories.
- Instant Money loans are personal lines of credit tied to a checking account for overdraft protection. The minimum loan amount is \$500, as compared to the minimum dollar amount of a normal consumer loan, which is \$1500. A total of 33 loans have been granted during the evaluation period. This is an identified credit need as discussed with the community contact.
- FNC participates in the Federal Home Loan Bank (FHLB) of Pittsburgh's Banking on Business program. This program was established by the FHLB to assist small businesses with creating and retaining job opportunities and to promote local economic growth. This program enables FNC to offer more small businesses the opportunity to obtain loans that might have been declined due to lack of equity or other financial reasons. Nineteen loans have been generated during the evaluation period, totaling \$1.5 million.
- FNC has been approved to participate in the Office of Economic and Community Development Program of the City of Scranton. Under this program the City provides a portion of the down payment and closing costs to individuals purchasing a residence in the City of Scranton. All borrowers must be low or moderate-income to qualify. Six loans have been originated under this program for the evaluation period, in the amount of \$243,000.
- FNC offers its own first time home buyers/home improvement program. Due to other programs available, loan originations have been limited in both products.
- FNC offers student loans and is one of the few institutions in the area offering this product. A total of 786 student loans totaling \$3.8 million were originated during the evaluation period.

- The bank offers the following programs, however no loans have been originated through these programs. The Hafer First Home Buyers Program is offered through the Commonwealth of Pennsylvania. The Blakely Program is a rehabilitation program funded by the Pennsylvania Department of Community and Economic Development to rehabilitate homes of LMI homeowners residing in the Borough of Blakely.

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 FNC's AA are good. During the evaluation period, FNC purchased three new investments totaling \$1,928 thousand. We determined through community contacts and our internal research that there are limited opportunities for qualified investments. However, FNC has purchased investments that address an identified need of the AA - affordable housing. All three bonds are investments in mortgage-backed bonds that primarily benefit LMI borrowers throughout the Commonwealth of Pennsylvania, including the bank's AA. In addition, the bank has a \$250 thousand bond outstanding from the previous Public Evaluation that supports the revitalization and stabilization of a moderate-income tract in the City of Scranton.

FNC provided 71 donations totaling \$164 thousand to organizations for various community development initiatives throughout the AA. Finally, \$1 thousand was donated to a September 11 relief fund, which 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 delivery system and branch openings and closings.

FNC'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 population living in those geographies. In moderate-income tracts the branch distribution is near to the population living in those geographies.

There have been no branch closings. FNC opened five branches during the evaluation period: three in middle-income geographies and two in upper-income geographies.

Banking hours and services are provided Monday through Friday and are supplemented by evening and Saturday hours at the majority of banking facilities located in the AA. The traditional line of banking products and services are offered at all branches.

FNC offers a low minimum balance, low cost checking account to all customers. The bank also offers special no cost checking accounts to senior citizens, and a youth savings account with a \$10 minimum balance and no fee. Additionally, the bank offers low-cost deposit accounts to small businesses.

FNC's ATM network offers an alternative delivery system for delivering retail-banking services. In addition to ATMs located at branch offices, the bank maintains four ATMs at offsite locations.

The bank has 24-hour telephone banking and web banking. These products allow customers to obtain deposit and loan account information, transfer funds, obtain rate and product information, and various other transactions. Since the bank could not provide specific information on how LMI individuals and geographies are impacted by these services, significant weight was not placed on these alternative delivery systems when drawing conclusions for the Service Test.

Community Development Services

FNC's performance in providing CD services to the AA is good. Primary services include providing financial expertise to a variety of community service and development organizations through board and committee memberships. None of the activities involve leadership roles. Eleven officers and/or bank directors provide technical and financial expertise that benefits seventeen organizations.

The following summarizes the types of services provided by bank officers and directors.

- An officer of the bank provides lending expertise to a local lender's consortium for LMI housing.
- An officer is an active participant in a community affairs organization that deals with community development issues within the assessment area, including affordable housing.
- An officer and a board member are both board members of an organization that purchased a former school for renovation into 50 low-income housing units.
- An officer served on the committee that administered a 120 low-income apartment unit.

- Three employees/directors serve as directors for a local soup kitchen that provides meals to LMI individuals.
- A director of the bank serves as a director for a non-profit organization that offers assistance to the homeless and emergency fuel assistance to families struggling with heating costs.
- An employee serves as a director of an agency that provides maternal and family health care to low-income women and children.
- Two employees serve as directors of an agency that provides counseling services to LMI individuals.
- A bank director services as director for a non-profit organization that provides health care to children with emotional and social disorders and to their families. The organization serves primarily LMI families.
- An employee is a director of an organization that provides job training, job placement, and job support to LMI individuals.
- An employee is a director for a non-profit organization that provides LMI individuals with the opportunity to better manage their finances.
- An officer of the bank serves as a member of the small business loan development committee of two local universities. This group offers developmental and financial assistance to new and expanding small businesses.
- Two officers serve as president and board member for an industrial development company that assists in financing small businesses that do not qualify for bank financing.
- An officer is a member of an organization that strives to help revitalize and stabilize the City of Scranton, which includes primarily LMI geographies.
- An officer is a member of an organization that works to attract new businesses to the downtown Scranton area, which includes primarily LMI geographies.
- A bank director is a board member for an economic development council. The council promotes economic growth and development in Northern Pennsylvania. The council administers low interest business financing programs to small businesses and reports quarterly on LMI housing needs in Northeastern Pennsylvania.
- One officer supplies assistance by doing reports and inspections for a local LMI housing project being funded through the FHLB's Affordable Housing Program.

Appendix A: Scope of Examination

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”).

| | | |
|--|--|--------------------------|
| Time Period Reviewed | Lending Test (excludes CD Loans): 01/01/1999 to 12/31/2001 Investment and Service Tests and CD Loans: 02/17/1999 to 02/19/2002 | |
| Financial Institution | Products Reviewed | |
| First National Community Bank (FNC) Dunmore, Pennsylvania | HMDA loans, Small loans to businesses, Consumer loans, CD lending, investments and services. | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| NA | | |
| List of Assessment Areas and Type of Examination | | |
| Assessment Area | Type of Exam | Other Information |
| Luzerne and Lackawanna Counties in MSA 7560 (FNC AA) | Full Scope | None. |

Appendix B: Market Profiles for Full-Scope Areas

Table of Contents

Market Profiles for Areas Receiving Full-Scope Reviews

| | |
|--|-----|
| 7560 Scranton - Wilkes-Barre MSA | B-2 |
|--|-----|

MSA 7560 Scranton -Wilkes-Barre - Luzerne and Lackawanna Counties

| Demographic Information for Full-Scope Area: MSA 7560 Scranton - Wilkes-Barre: Luzerne and Lackawanna Counties | | | | | | |
|---|-------------------------------------|---|--------------------|------------------|---------------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 167 | 1.20 | 12.57 | 74.85 | 11.38 | 0.00 |
| Population by Geography | 547,188 | 0.50 | 10.02 | 73.99 | 15.48 | 0.00 |
| Owner-Occupied Housing by Geography | 145,734 | 0.02 | 7.06 | 77.08 | 15.85 | 0.00 |
| Businesses by Geography | 22,717 | 3.96 | 12.54 | 66.73 | 16.77 | 0.00 |
| Farms by Geography | 509 | 0.20 | 6.29 | 69.94 | 23.58 | 0.00 |
| Family Distribution by Income Level | 147,744 | 18.70 | 18.46 | 24.32 | 38.51 | 0.00 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 54,908 | 0.38 | 13.86 | 77.15 | 8.61 | 0.00 |
| Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level | = \$30,676 = \$43,300 =12.41% | Median Housing Value Unemployment Rate | | | \$60,713 = 5.60% | |

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

FNC’s AA includes two out of the four counties in MSA 7560, Luzerne and Lackawanna counties. There are 167 census tracts in the area commonly known as the Scranton/Wilkes-Barre/Hazleton area. Within this area FNC is ranked sixth for its market share of deposits with 5.46% of the deposits based on the June 30, 2001 FDIC Summary of Deposits. FNC operates thirteen full service branches in this MSA, all with drive up facilities. Eleven branches offer ATMs and there are four remote location ATMs.

Banking competition is very strong for both loans and deposits. Competition exists from national institutions, large regional institutions, mortgage companies, and community banks. Major competitors are:

- PNC Bank ranked 1st in deposits (23.10%) with 43 offices;
- First Union ranked 2nd in deposits (9.08%) with 19 branches;
- Manufacturers and Traders Trust ranked 3rd in deposits (8.24%) with 24 offices;
- Mellon Bank ranked 4th in deposits (5.73%) with 13 offices; and
- Community Bank, NA ranked 5th in deposits (5.53%) also with 13 offices.

FNC offers a traditional line of banking products for loans and deposits. The economy in the area is stable, although it usually lags the overall economy. Major employers in the AA include state, local, and federal government, hospitals and health care services, school districts and universities, Pennsylvania Power and Light, and Techneglas, Inc.

Appendix C: Tables of Performance Data

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: 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. 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, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- 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 with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

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 | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | | |
|---------------------|------------------------------------|-------------------|------------|---------------------------|------------|--|------------|-------------------------------|------------|----------------------|------------|--------------------------------------|
| MA/Assessment Area: | % 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) | |
| Full Review: | | | | | | | | | | | | |
| FNC AA | 100.00 | 847 | 59,905 | 1,672 | 145,689 | 0 | 0 | 11 | 15,775 | 2,530 | 221,369 | 100.00 |

* Loan Data is from 01/01/99 to 12/31/01. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is 02/17/99 to 02/19/02.

*** Deposit Data as of 6/30/01. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

| LENDING VOLUME | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | | | | |
|---------------------|------------------------------------|------------------------|------------|--------------------------------------|------------|--|------------|-----------------|------------|---------------|------------|--------------------------|------------|-----------------------------------|
| MA/Assessment Area: | % 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) | |
| Full Review: | | | | | | | | | | | | | | |
| FNC AA | 100.00 | 6,741 | 86,817 | 0 | 0 | 320 | 12,540 | 5,248 | 63,884 | 0 | 0 | 252 | 6,399 | 100.00 |

* Loan Data is from 01/01/99 to 12/31/01. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Optional Product Line(s) is from 01/01/99 to 12/31/01.

*** Deposit Data as of 06/30/01. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

| LENDING VOLUME | | Geography: FNC AA | | Evaluation Period: January 01, 1999 to December 31, 2001 | |
|---------------------|--------------------------------|-------------------|-----------------------|--|---|
| MA/Assessment Area: | Other Unsecured Consumer Loans | | Other Optional Loans* | | |
| | # | \$ (000's) | # | \$ (000's) | |
| Full Review: | | | | | |
| FNC AA | 921 | 3,994 | 0 | 0 | 0 |

(*)The evaluation period for Optional Product Line(s) is from 01/01/99 to 12/31/01.

Table 2. Geographic Distribution of Home Purchase Loans

| Geographic Distribution: HOME PURCHASE | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | | | | | |
|--|---------------------------|-------------------|------------------------|--------------|-----------------------------|--|---------------------------|--------------|--------------------------|--------------|-------------------------------|------|------|------|------|
| 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 | Over all | Low | Mod | Mid | Upp |
| Full Review: | | | | | | | | | | | | | | | |
| FNC AA | 238 | 100.00 | 0.02 | 0.00 | 7.06 | 2.52 | 77.08 | 48.32 | 15.85 | 18.07 | 1.37 | 0.00 | 0.50 | 1.27 | 1.88 |

* Based on 2000 Peer Mortgage Data: Northeastern Region.

** 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 housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

| Geographic Distribution: HOME IMPROVEMENT | | | | | | | | | | | | | | | Geography: FNC AA | | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | |
|---|------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|-------------------------------|------|------|------|-------------------|--|--|--|--|--|--|--|--|--|
| 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 | | | | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | | | | | | |
| FNC AA | 214 | 100.00 | 0.02 | 0.00 | 7.06 | 3.27 | 77.08 | 63.08 | 15.85 | 14.95 | 2.93 | 0.00 | 1.47 | 3.02 | 3.13 | | | | | | | | | |

* Based on 2000 Peer Mortgage Data: Northeastern Region.

** 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 housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

| Geographic Distribution: HOME MORTGAGE REFINANCE | | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | Market Share (%) by Geography | | | | |
|--|-------------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|--|--------------|--------------------------|--------------|----------|-------------------------------|------|------|------|--|
| MA/Assessment Area: | Total Home Mortgage Refinance Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Over all | Low | Mod | Mid | Upp | |
| | # | % of Total** | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | % Owner Occ Units*** | % BANK Loans | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | |
| FNC AA | 383 | 100.00 | 0.02 | 0.00 | 7.06 | 2.61 | 77.08 | 58.49 | 15.85 | 19.58 | 1.21 | 0.00 | 0.61 | 1.17 | 1.62 | |

* Based on 2000 Peer Mortgage Data: Northeast Region.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 5. Geographic Distribution of Multifamily Loans

| Geographic Distribution: MULTIFAMILY | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | Market Share (%) by Geography | | | | |
|--------------------------------------|-------------------------|-------------------|------------------------|--------------|-----------------------------|--|---------------------------|--------------|--------------------------|--------------|-------------------------------|------|-------|-------|------|
| MA/Assessment Area: | Total Multifamily Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall | Low | Mod | Mid | Upp |
| | # | % of Total** | % of MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | | | | | |
| Full Review: | | | | | | | | | | | | | | | |
| FNC AA | 12 | 100.00 | 6.44 | 0.00 | 29.86 | 8.33 | 51.98 | 66.67 | 11.71 | 0.00 | 16.13 | 0.00 | 20.00 | 18.18 | 0.00 |

* Based on 2000 Peer Mortgage Data: Northeastern Region.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

| Geographic Distribution: SMALL LOANS TO BUSINESSES | | | | | | | | | | | | Geography: FNC AA | | Evaluation Period: January 01, 1999 to December 31, 2001 | | |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--------------------------------|-------------------|------|--|------|--|
| 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 Businesses*** | % BANK Loans | % of Businesses*** | % BANK Loans | % of Businesses*** | % BANK Loans | % of Businesses*** | % BANK Loans | Overall | Low | Mod | Mid | Upp | |
| Full Review: | | | | | | | | | | | | | | | | |
| FNC AA | 1,672 | 100.00 | 3.96 | 6.70 | 12.54 | 5.62 | 66.73 | 69.38 | 16.77 | 18.30 | 5.49 | 14.05 | 3.03 | 5.71 | 5.81 | |

* Based on 2000 Peer Small Business Data: US.

** 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.

Table 8. Borrower Distribution of Home Purchase Loans

| Borrower Distribution: HOME PURCHASE | | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | Market Share | | | | |
|--------------------------------------|---------------------------|--------------|----------------------|------------------|---------------------------|------------------|--|------------------|------------------------|------------------|----------|--------------|------|------|------|--|
| MA/Assessment Area: | Total Home Purchase Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | | | | | | |
| | # | % of Total** | % Families*** | % BANK Loans**** | % Families** | % BANK Loans**** | % Families* | % BANK Loans**** | % Families* | % BANK Loans**** | Over all | Low | Mod | Mid | Upp | |
| Full Review: | | | | | | | | | | | | | | | | |
| FNC AA | 238 | 100.00 | 18.70 | 4.03 | 18.46 | 8.73 | 24.32 | 15.44 | 38.51 | 71.81 | 1.47 | 0.00 | 0.54 | 0.51 | 2.89 | |
| | | | | | | | | | | | | | | | | |

* Based on 2000 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for less than 1% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 1990 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.

Table 9. Borrower Distribution of Home Improvement Loans

| Borrower Distribution: HOME IMPROVEMENT | | Geography: FNC AA | | | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | | | |
|---|------------------------------|-------------------|----------------------|------------------|---------------------------|------------------|-------------------------|--|------------------------|------------------|--------------|------|------|------|------|
| 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* ** | % BANK Loans**** | % Families* ** | % BANK Loans**** | % Families* ** | % BANK Loans**** | Over all | Low | Mod | Mid | Upp |
| Full Review: | | | | | | | | | | | | | | | |
| FNC AA | 214 | 100.00 | 18.70 | 12.34 | 18.46 | 17.16 | 24.32 | 25.44 | 38.51 | 44.97 | 2.97 | 4.43 | 2.22 | 3.02 | 2.87 |

* Based on 2000 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for [less than 1% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 1990 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.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

| Borrower Distribution: HOME MORTGAGE REFINANCE | | | | | | | | | | | | | | | Geography: FNC AA | | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | | |
|--|-------------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|--------------|------|------|------|-------------------|--|--|--|--|--|--|--|--|--|
| 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* | % BANK Loans**** | % Families* | % BANK Loans**** | % Families* | % BANK Loans**** | Over all | Low | Mod | Mid | Upp | | | | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | | | | | | |
| FNC AA | 383 | 100.00 | 18.70 | 4.12 | 18.46 | 11.00 | 24.32 | 20.27 | 38.51 | 64.60 | 1.26 | 0.67 | 0.67 | 1.30 | 1.68 | | | | | | | | | |

* Based on 2000 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for less than 1% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 1990 Census information.

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

Table11. Borrower Distribution of Small Loans to Businesses

| Borrower Distribution: SMALL LOANS TO BUSINESSES | | | | Geography: FNC AA | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | |
|--|---------------------------------|--------------|---|-------------------|--|--|---------------------------|---------------|-------------------------|
| 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 Loans**** | \$100,000 or less | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All | Rev \$1 Million or Less |
| Full Review: | | | | | | | | | |
| FNC AA | 1,672 | 100.00 | 86.35 | 71.29 | 84.99 | 7.83 | 7.18 | 5.49 | 10.72 |

* Based on 2000 Peer Small Business Data: US.

** 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).

**** 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 7% of small loans to businesses originated and purchased by the Bank.

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

| Geographic and Borrower Distribution: CONSUMER LOANS | | | | | | | | | | | | | | | | | | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | |
|--|-------------------------|-------------|------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|--------------------------|-----------------|-----------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|-------------------|--|--|--|--|--|--|--|
| 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 BANK Loans | % of Hhlds** | % of BANK Loans | % of Hhlds** | % of BANK Loans | % of Hhlds** | % of BANK Loans | % of Hhlds** | % of BANK Loans | % of Hhlds** | % of BANK Loans | % of Hhlds** | % of BANK Loans | % of Hhlds** | % of BANK Loans | | | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FNC AA | 6,741 | 100.00 | 0.68 | 0.58 | 10.52 | 5.62 | 74.90 | 75.45 | 13.90 | 18.35 | 25.70 | 19.02 | 15.34 | 25.53 | 17.77 | 25.53 | 41.19 | 29.92 | | | | | | | | |

* 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 the 1990 Census Information.

Table 14. Qualified Investments

| QUALIFIED INVESTMENTS | | Geography: FNC AA | | | | Evaluation Period: January 01, 1999 to December 31, 2001 | | | |
|------------------------|--------------------------|-------------------|----------------------------|-----------|-------------------|--|------------|------------------------|-----------|
| MA/Assessment Area: | Prior Period Investments | | Current Period Investments | | Total Investments | | | Unfunded Commitments** | |
| | # | \$(000's) | # | \$(000's) | # | \$(000's) | % of Total | # | \$(000's) |
| Full Review: | | | | | | | | | |
| FNC AA | 1 | 250 | 4 | 2,092 | 75 | 2,342 | 100.00 | 0 | 0 |
| 9/11 Relief Fund | | | 1 | 1 | 1 | 1 | 100.00 | | |
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* 'Prior Period Investments' means investments made in a previous evaluation 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 Geography: FNC AA Evaluation Period: January 01, 1999 to December 31, 2001 | | | | | | | | | | | | | | | | | |
|--|--------------------------------|--------------------|--------------------------------|---|-----|------|------|--------------------------|----------------------|---|-----|-----|-----|---------------------------------------|-------|-------|-------|
| 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 |
| Full Review: | | | | | | | | | | | | | | | | | |
| FNC AA | 100.00 | 13 | 100.00 | 7.6 | 7.6 | 69.2 | 15.3 | 5 | 0 | 0 | 0 | 3 | 2 | 0.50 | 10.02 | 73.99 | 15.48 |
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