



# LARGE BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

June 13, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Palmerton  
Charter Number: 8930

4th Street and Lafayette Avenue  
Palmerton, PA 18071

Office of the Comptroller of the Currency

NEW YORK METRO  
343 Thornall Street Suite 610  
Edison, NJ 08837

**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.

# Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>1</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>6</b>
<b>FBNP’S PERFORMANCE UNDER THE COMMUNITY REINVESTMENT ACT WAS LAST EVALUATED ON FEBRUARY 11, 2008, BASED ON STANDARDS APPLICABLE TO LARGE BANKS. THE OVERALL LEVEL OF PERFORMANCE WAS “OUTSTANDING”.SCOPE OF THE EVALUATION .....</b>	<b>6</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>7</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>	<b>9</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>10</b>
LENDING TEST.....	10
INVESTMENT TEST.....	14
SERVICE TEST.....	15
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>1</b>
<b>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>1</b>
<b>APPENDIX C: TABLES OF PERFORMANCE DATA .....</b>	<b>1</b>

## Overall CRA Rating

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

The following table indicates the performance level of The First National Bank of Palmerton (FNBP) with respect to the Lending, Investment, and Service Tests:

Performance Levels	The First National Bank of Palmerton 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:

- FNBP's overall lending activity is good, given the bank's size, resources, and competition in the bank's major markets. A substantial majority of loans were originated in the bank's AA.
- Both home mortgage loans and small loans to businesses provide a good distribution among different geographies and borrower income levels.
- Flexible lending products positively impacted the bank's overall lending performance.
- FNBP has a good level of qualified investments and grants considering the competition for investment opportunities.
- Service delivery systems are accessible to geographies and individuals of different income levels.
- FNBP provides a relatively high level of community development services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

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

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

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

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

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

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

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

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

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

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

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

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

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

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

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

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

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

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

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

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

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

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

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

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

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

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

## Description of Institution

The First National Bank of Palmerton (FNBP) is an intrastate community bank with total assets of \$673.4 million as of December 31, 2010. FNBP is a full service bank offering a wide range of commercial and personal banking products within their Pennsylvania market. The bank offers a variety of commercial, consumer, and real estate loans to suit their customer's needs. FNBP is a sole subsidiary of Palm-Bancorp, Inc. The holding company has total consolidated assets of \$673.9 million as of December 31, 2010. Both FNBP and Palm-Bancorp, Inc. are located in Palmerton, PA. FNBP has 11 branches, each equipped with a drive-up ATM facility. FNBP has opened two branches since the prior CRA exam. Both new branches are located in the bank's Assessment Area (AA). The bank serves the following Pennsylvania Counties: Monroe, Carbon, Northampton and Lehigh.

As of December 31, 2010 net loans and leases totaled \$367 million or 55 percent of total assets. Total deposits were \$580 million. Tier I Capital as of December 31, 2010 was \$87.8 million. The loan portfolio is broken down as following:

Loan Category	Residential Mortgage Loans	Commercial Real Estate Loans	Commercial Loans	Other
\$ amount (in thousands)	196,946	140,570	25,341	8,321
% of loan portfolio	53.06%	37.87%	6.83%	2.24%

Numbers as of 12/31/2010

The bank's primary strategy is to originate small business loans and real-estate loans for affordable housing. FNBP is in a highly competitive marketplace. Competition for both loans and deposits is strong, particularly from larger multi-state traditional and non-traditional financial institutions. FNBP's primary competitors include Sovereign Bank, PNC, Citizens Bank, Wells Fargo, M&T Bank, and National Penn Bank.

There were no financial or legal impediments to hinder FNBP's ability to help meet the community's credit needs.

FNBP's performance under the Community Reinvestment Act was last evaluated on February 11, 2008, based on standards applicable to large banks. The overall level of performance was "Outstanding".

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the lending test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) and for small loans to business is from October 1, 2007 through December 31, 2010. The scope of our review did not include small farm or multi-family loans due to the negligible volume of originations. We did not include the non-Metropolitan Statistical Area (MSA) - Monroe County in the geographic distribution analysis for the lending test, as that assessment area (AA) does not have any low- and moderate-income geographies. The evaluation period for community development (CD) loans, investments, and service tests covers activities from February 12, 2008 through June 13, 2011.

### Data Integrity

In December 2010, FNBP's publicly filed information for Home Mortgage Disclosure Act (HMDA) reportable loans and small loans to businesses was tested for accuracy. Results of this testing evidenced the 2008, 2009, and 2010 HMDA and CRA data were unreliable. Subsequently, FNBP scrubbed the 2008, 2009 and 2010 CRA LAR as well as the 2009 and 2010 HMDA LAR. The corrected data was re-filed prior to the start of the CRA examination.

Investments and services submitted by management were also verified to ensure that they met the regulatory definition for community development.

### Selection of Areas for Full-Scope Review

The bank has two AAs: portions of the Allentown-Bethlehem-Easton, PA-NJ MSA (10900) and Monroe County, a non-MSA. A full scope review was performed for both of these AAs.

FNBP's first AA is made up of portions of the Allentown-Bethlehem-Easton MSA. It is comprised of three partial counties: the eastern portion of Carbon County, the northeastern portion of Lehigh County, and the northern portion of Northampton County. FNBP's second AA, Monroe County, is located in a non-MSA portion of Pennsylvania. The bank's AA is comprised of the entire county.

Refer to the market profiles of both AAs located in appendix B for detailed demographic data and other performance context information.

### Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. The Lending Test was more heavily weighted than the Service or Investment Test. Both the Allentown-Bethlehem-Easton, PA-NJ MSA and the non-MSA - Monroe County were equally weighted when deriving the overall rating.

Our conclusions related to qualified investments were based on the number and dollar amounts made during the evaluation period. In addition, we considered the level of innovation, complexity, and responsiveness to community credit needs.

Our conclusions regarding the community development services were based on the number of services performed, the number of people providing services, and the type of services performed.

## **Other**

During this examination we spoke with two community contacts and reviewed information gathered from recent community contacts to determine the credit needs and community development needs of Allentown-Bethlehem-Easton MSA. Based on our discussions, we determined there is an overall credit need for affordable housing, small business loans, and basic financial services. There is a lack of affordable housing in the area due to high real-estate costs, limited developable land, and because it is out of the reach of severely financially impacted families. Community development needs include investment in community organizations that support affordable housing, healthcare, basic assistance, and educational assistance to low-income individuals and families.

During this examination, we spoke with one community contact and reviewed information gathered from recent community contacts to determine the credit needs of Monroe County. Based on our discussions, we determined there is an overall credit need for funding to develop affordable housing, especially given the continued influx of individuals from New York and New Jersey who have driven up the median cost of housing and median income. For those native to Monroe County or working in Monroe County, it is more and more difficult to afford a home or to stay in a home. Financial education has also been identified as a particular need, especially as it relates to credit card use and basic banking skills. Additionally, continued assistance for LMI individuals who rent and are impeded by high upfront costs, such as security deposits and last month rent deposits, was identified.

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

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the lending test is rated "High Satisfactory." Based on our full-scope review, the bank's performance in the Allentown–Bethlehem–Easton, PA-NJ MSA and in the non-MSA - Monroe County is good.

#### Lending Activity

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

Analysis for the lending test in the Allentown–Bethlehem–Easton, PA-NJ MSA and the non-MSA - Monroe County focused on home purchase loans, home refinancing loans, home improvement loans, and small loans to businesses. The analysis 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. There are no low- income tracts in the Allentown-Bethlehem-Easton, PA-NJ MSA and there are no low- or moderate-income tracts within Monroe County. Therefore, no analysis of the distribution of loans by income level of those geographies was performed. The analysis also 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 throughout those geographies. For small loans to businesses, the analysis compares the percentage distribution of the number of loans originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage of all business in the AAs with revenues of \$1 million or less. The analysis also 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 businesses throughout those geographies.

In evaluating the bank's lending activity, we considered the large bank competition and lack of low- and moderate- income census tracts within each AA. We chose a sample of 20 home purchase, home refinance, home improvement, and small loans to businesses for each AA. Per the 2009 HMDA peer mortgage data, FNBP ranked 18th out of 360 lenders, with 1.25 percent market share by number and 0.65 percent by dollar volume of loans in the Allentown-Bethlehem-Easton, AA. Per the 2009 HMDA peer mortgage data, FNBP ranked 13th out of 338 lenders, with 1.72 percent market share by number of loans and 0.85 percent market share by dollar volume in Monroe County.

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

The overall geographic distribution of loans is good. The distribution of home mortgage loans across different geographies is good and the geographic distribution of small loans to businesses is good.

### **Allentown–Bethlehem–Easton, PA-NJ MSA (10900) (Lehigh Valley)**

We did not evaluate the bank's performance in low-income geographies in the Allentown-Bethlehem-Easton MSA as there are no low-income census tracts within this AA.

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

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

##### *Home Purchase Loans*

The geographic distribution of home purchase loans is good. The percent of lending in the moderate-income geographies is 20%, which exceeds the percent of owner occupied housing in these geographies.

##### *Home Improvement Loans*

The geographic distribution of home improvement loans is good. The percent of lending in the moderate-income geographies is 20%, which exceeds the percent of owner occupied housing in these geographies.

##### *Home Mortgage Refinance Loans*

The geographic distribution of home refinance loans is good. The percent of lending in the moderate-income geographies is 20%, which exceeds the percent of owner occupied housing in these geographies.

#### ***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.

The overall geographic distribution of small loans to businesses is good. The percentage of small loans to businesses in moderate-income geographies is 20%, which exceeds the percentage of businesses in these geographies.

### **Non-MSA – (Monroe County)**

There are no low- or moderate-income tracts within this AA. Therefore, no analysis of the distribution of loans by income level of the geography was performed.

***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***

A substantial majority of the bank’s home mortgage loans and small loans to businesses were originated inside the bank’s combined AAs. The analysis was performed at the bank level as opposed to the AA level and includes bank originations and purchases only. During the evaluation period, 83 percent of the number and 84 percent of the dollar amount of the bank’s reportable loans were originated inside the combined AAs. Specifically, 80 percent of the number and 75 percent of the dollar amount of the home mortgage loans were within the bank’s combined assessment areas, while 85 percent of the number and 88 percent of the dollar amount of small loans to businesses were within the combined AAs. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

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

The overall borrower distribution of loans is good. The distribution of home mortgage loans and small loans to business is good.

**Allentown–Bethlehem–Easton, PA-NJ MSA (10900) (Lehigh Valley)**

***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.

***Home Purchase Loans***

Borrower distribution of home purchase loans is good. The percent of loans to low-income borrowers is 10%, which is below the percent of low-income families in the AA. The percent of loans to moderate-income borrowers is 25%, which exceeds the percent of moderate-income families in the AA.

***Home Improvement Loans***

Borrower distribution of home improvement loans is good. The percent of loans to low-income borrowers is 15%, which falls slightly below the percent of low-income families in the AA. The percent of loans to moderate-income borrowers is 35%, which exceeds the percent of moderate-income families in the AA.

***Home Refinance Loans***

Borrower distribution of home refinance loans is adequate. The percent of loans to low-income borrowers is 5%, which is significantly below the percent of low-income families in the AA. The

percent of loans to moderate-income borrowers is 20%, which meets the percent of moderate-income families in the AA.

### ***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.

The borrower distribution of small loans to businesses is good. The bank made 75% of its loans to businesses with revenues of \$1 million or less in the AA, while the percentage of businesses with revenues of \$1 million or less in the AA is 78.97%. The majority of small loans to businesses were made in amounts less than \$100 thousand, which indicates many of these loans are to smaller businesses.

### **Non-MSA – (Monroe County)**

#### ***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.

#### ***Home Purchase Loans***

Borrower distribution of home purchase loans is good. The percent of loans to low-income borrowers is 10%, which is slightly below the percent of low-income families in the AA. The percent of loans to moderate-income borrowers is 20%, which exceeds the percent of moderate-income families in the AA.

#### ***Home Improvement Loans***

Borrower distribution of home improvement loans is adequate. The bank did not originate any loans to low-income borrowers in our sample, compared to 12.72% of low-income families in the AA. However, the percent of loans to moderate-income borrowers is 25%, which exceeds the percent of moderate-income families in the AA.

#### ***Home Refinance Loans***

Borrower distribution of home refinance loans is adequate. The percent of loans to low-income borrowers is 5%, which is below the percent of low-income families in the AA. The percent of loans to moderate-income borrowers is 5%, which is below the percent of moderate-income families in the AA.

### ***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 good. The bank made 70% of its loans to businesses with revenues of \$1 million or less. The percentage of businesses with revenues of \$1 million or less in the AA is 77.04%. The majority of small loans to businesses were made

in amounts less than \$100 thousand which indicates many of these loans are to smaller businesses.

## **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 multi-family 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.

The bank did not engage in any community development lending during the evaluation period.

## **Product Innovation and Flexibility**

Innovative and flexible product offerings have a positive impact on the bank's rating. A flexible lending product that the bank offers is the first time homebuyer program, which is offered in both of the bank's assessment areas. The first time homebuyer program offers counseling services to first time homebuyers to help them understand the additional expenses they may incur due to home ownership. The bank waives the application fee for these homebuyers, and provides them with their lowest rate with no additional points. There is no restriction on the amount of the loan; however, the borrower's income must fall below 80% of the median family income of the assessment area. Due to income restrictions, this program has allowed the bank to originate affordable housing to low and moderate income individuals and families. The bank puts aside \$1.5 million per year for disbursement through this program. The bank disbursed \$645 thousand in 2008, \$1 million in 2009, \$539,000 in 2010, and \$84,000 year to date 2011. This amounts to a total of 23 loans.

## **INVESTMENT TEST**

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

The bank's performance under the investment test is rated "High Satisfactory." Based on our full-scope review, the bank's performance in the Allentown-Bethlehem-Easton, PA-NJ MSA is good and performance in the non-MSA – Monroe County is adequate. Total investments and donations are \$829 thousand or 0.95% of Tier I Capital.

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

### **Allentown-Bethlehem-Easton, PA-NJ MSA (10900)**

FNBP has a good level of qualified investments and grants, and exhibited good responsiveness to credit and community economic development needs. While investment opportunities do exist, they are hard to come by given FNBP's small size and competition for such opportunities.

During the evaluation period, a total of \$89 thousand in funds was dispersed in this MSA. In addition, the Bank has a prior period investment valued at \$568 thousand.

FNBP made \$89 thousand in donations to 12 community organizations that provide economic development and community services to low- and moderate-income individuals in the AA. The organizations include food banks, medical establishments and various charities that support disadvantaged children.

An investment for low- and moderate-income housing was made through securitized low- and moderate-income residential mortgages. FNBP is currently holding a FNMA mortgage-backed security valued at \$568 thousand. The security consists of seven loans made to low- and moderate-income families in the AA.

### **Non-MSA – Monroe County**

FNBP has an adequate level of qualified investments and grants, and exhibited adequate responsiveness to credit and community economic development needs. Investment opportunities are limited given FNBP's small size and the competition for such opportunities.

During the evaluation period, a total of \$10 thousand in funds were dispersed in this AA. In addition, the Bank has one prior period investment valued at \$162 thousand.

FNBP made \$10 thousand in donations to seven different organizations that provide economic development and community services to low- and moderate-income individuals in the AA. These organizations include disadvantaged youth programs, food banks, and home rehabilitation programs.

An investment for low- and moderate-income housing was made through securitized low- and moderate-income residential mortgages. FNBP is currently holding a FNMA mortgage-backed security valued at \$162 thousand. The security consists of two loans made to low- and moderate-income families in Monroe County.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated "High Satisfactory." Based on our full-scope reviews, the bank's performance in both the Allentown-Bethlehem-Easton, PA-NJ MSA and in the non-MSA – Monroe County is good.

**Allentown-Bethlehem-Easton, PA-NJ MSA 10900****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. There are no low-income geographies within the AA.

FNBP's delivery systems are good, as they are accessible to geographies and individuals of different income levels in the AA. The bank operates six of its eleven community offices within this MSA. Of the six branches, one is located in a moderate- income geography, five are located in middle-income geographies, and none are located in low- or upper-income geographies. During the evaluation period, FNBP opened one branch in a middle-income geography. In total, 17 percent of the community offices are located in moderate-income geographies where 12 percent of the population resides.

FNBP's services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or low- and moderate- income individuals. All of the branches, with the exception of the main office, have the same hours. The main office, which is located in a moderate-income geography, has extended drive-up hours on Thursdays. All six offices have Saturday hours and are equipped with drive-through services and an ATM. A full line of traditional banking products and services are offered at all community offices.

**Community Development Services**

FNBP provides a relatively high level of community development services within the Allentown-Bethlehem-Easton, PA-NJ MSA. During the evaluation period, three employees provided financial expertise, leadership service, or both to 11 organizations serving the AA. The following are organizations in which employees hold key positions:

A local county chamber of commerce — Trains and develops future leaders in the local community in all areas of economic development.

- Director

A local area chamber of commerce — Promotes economic development of Palmerton area by providing low rate loans to small businesses.

- Director

A local county economic development council — Provides financing to small businesses to develop the local economy by providing jobs and enhancing economic growth.

- Director

A local health care system — Provides free health care services to low-income families in the local community.

- Director (Chairman of Finance)

A local leadership development organization— Develops future leaders of the community by providing training and seminars to instruct them in means to improve the economic welfare of the county.

- Director

A local charitable organization — Fulfills dreams of low-income children suffering from terminal illnesses.

- Treasurer

A local non-profit community organization — Provides academic scholarships for low- and moderate-income individuals.

- Director and Chair of Fundraising Committee

A local community advisory panel — Promotes services such as financial assistance to low- and moderate-income families.

- Member of the Panel

A local area chamber of commerce — Advances and promotes the market area, fostering economic success and preserving the community's heritage.

- Director

An alliance of local businesses — Dedicated to enhancing the economic conditions of the county by attracting new businesses and improving the life and welfare of the local residents.

- Director

A local charitable organization — Provides aid and assistance to low-income and needy families and individuals.

- Treasurer

## **Non-MSA – Monroe County**

### **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. There are no low- or moderate-income geographies within the AA.

The bank's delivery systems are good, as they are accessible to geographies and individuals of different income levels in Monroe County. The bank operates five of its eleven branches within Monroe County. There are no low- or moderate-income geographies within the AA. Two of the branches are located in middle-income geographies and three branches are in upper-income geographies. During the evaluation period, the bank opened one branch in a middle-income geography.

FNBP's services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate- income individuals. All of the branches have same hours of operations and provide drive-through services and ATMs. Traditional banking products

such as loans, checking and savings accounts, trust services as well as debit and credit cards are offered at all branches.

## **Community Development Services**

FNBP provides an adequate level of community development services in Monroe County. During the evaluation period, three employees provided financial expertise and leadership services to four different qualifying community development organizations serving Monroe County. The following are organizations in which employees hold key positions:

A local county agricultural land preservation program — Protects and promotes continued productive agricultural use on viable lands in the county owned by small farmers through the use of perpetual conservation easements.

- Director

A local child care center — Provides child care to low-income families through association with the United Way.

- Director

A community service club — Focuses on low-income families. Some of the activities include providing membership fees to the Community Swimming Pool for low-income children.

- Finance Chair

A local church — Provides financial advice to low- and moderate-income families.

- Finance Committe

## 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 nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (10/01/07 to 12/31/10) Investment and Service Tests and CD Loans: (02/12/08 to 06/13/11)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Palmerton (FNBP) Palmerton, Pennsylvania	Home mortgage loans, small loans to businesses, CD loans, investments and services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Palm Bancorp Inc. Palmerton, Pennsylvania	Holding Company	None
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Allentown – Bethlehem – Easton, PA - NJ MSA #10900	Full-Scope	
Non-MSA – Monroe County	Full-Scope	

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

### Allentown-Bethlehem-Easton, PA-NJ, MSA (10900)

Demographic Information for Full-Scope Area: Allentown-Bethlehem-Easton, PA-NJ, MSA (10900)						
Demographic Characteristics	#	Low percent of #	Moderate percent of #	Middle percent of #	Upper percent of #	NA* percent of #
Geographies (Census Tracts/BNAs)	40	0.00	12.50	72.50	15.00	0.00
Population by Geography	198,241	0.00	12.12	69.21	18.67	0.00
Owner-Occupied Housing by Geography	60,805	0.00	11.49	69.97	18.53	0.00
Businesses by Geography	12,832	0.00	12.09	64.82	23.08	0.00
Farms by Geography	465	0.00	3.66	77.63	18.71	0.00
Family Distribution by Income Level	56,111	16.81	20.63	25.52	37.03	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	21,012	0.00	17.55	71.15	11.29	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below the Poverty Level	= \$53,852 = \$70,000 = 6.47%	Median Housing Value Unemployment Rate		= \$116,213 = 9.4%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, 2010 HUD updated MFI, and U.S. Department of Labor 12/10 not seasonally adjusted unemployment rate.

FNBP's AA is made up of portions of the Allentown-Bethlehem-Easton MSA. It is comprised of three partial counties: the eastern portion of Carbon County, the northeastern portion of Lehigh County, and the northern portion of Northampton County. The AA complies with the CRA guidelines and does not arbitrarily exclude low- or moderate-income (LMI) geographies. According to the 2000 U.S. Census Data, there are 40 census tracts in this AA. There are no low-income tracts, 5 moderate-income tracts, 29 middle-income tracts, and 6 upper-income tracts.

The 2000 U.S. Census Data reported the total population of the assessment area at 198,241. This population was comprised of 76,254 households and 56,111 families. The median housing cost is \$116,213 while the median family income was \$53,852 and the HUD adjusted MSA median family income is \$70,000. Approximately 6.5 percent of the households are below the poverty level. Approximately 17 percent of the families in the AA are low-income, 21 percent are moderate-income, 25 percent are middle-income, and 37 percent are upper-income. Based on the housing values and the median family income, there is lack of affordability for a low-income individual or family to purchase a home. Approximately 13 percent of the total owned housing costs individuals or families more than 30 percent of their income.

According to the 2010 Business Demographic Data, there are a total of 12,832 businesses and 465 farms. Approximately 12 percent of the businesses are located in moderate-income tracts, 65 percent are located in middle-income tracts, and 23 percent are located in upper-income tracts. Approximately 79 percent of the businesses have revenues less than \$1 million and approximately 81 percent of the businesses and farms had less than 10 employees.

The primary industries in the MSA are Services, which account for approximately 47 percent of the total industries followed by Retail Trade and Construction at approximately 14 and 11 percent, respectively. Major employers in the MSA include: Lehigh Valley Hospital and Health Network, St. Luke's Hospital, Air Products and Chemicals, U.S. Government, and PPL Corporation. According to the Bureau of Labor Statistics data, the annual unemployment rate not seasonally adjusted, as of 2010, for the Allentown-Bethlehem-Easton, PA-NJ MSA was 9.4 percent, compared to the Pennsylvania State unemployment rate of 8.7 percent and the national unemployment rate of 9.7 percent. During the evaluation period, the unemployment rate for the MSA ranged from a monthly low of 4.3 percent to a high of 10.3 percent

There are a total of 6 branches located in the Allentown-Bethlehem-Easton MSA, accounting for 55 percent of the total number of FNBPs branches. All branches have extended hours of operation at least one day a week as well as Saturday morning hours. In addition, all branches are equipped with ATMs and offer drive-through services. A full line of traditional banking products and services are offered at all branch locations.

Based on the June 30, 2010 FDIC Deposit Market Share Report, FNBPs ranked twelfth out of 32 institutions with a 2.07 percent market share in the Allentown-Bethlehem-Easton, PA-NJ MSA. Competition for both loans and deposits is strong in this MSA, particularly from larger multi-state traditional and non-traditional financial institutions. According to the June 30, 2010 deposit data, the major competitors are Wells Fargo Bank, NA, commanding a 25.11 percent market share; National Penn Bank, ranking second with an 11.37 percent market share; PNC Bank, NA, ranking third with a 10.21% market share; Lafayette Ambassador Bank ranking fourth with a 7.78 percent market share; and Bank of America, NA, ranking fifth with a 5.28 percent market share. Based upon the 2009 HMDA peer mortgage data, FNBPs ranked 18th out of 360 lenders. FNBPs has 1.25 percent market share by number and 0.65 percent market share by dollar volume of loans in the AA. The top five lenders in the AA were Wells Fargo Bank, NA; Bank of America, N.A.; JP Morgan Chase Bank, NA; Wells Fargo Funding, Inc; and National Penn Bank. These top five lenders had a combined market share of approximately 32 percent by number and 33 percent by dollar volume of loans.

Through discussions with community contacts, we determined that there is an overall credit need for affordable housing, small business loans, and basic financial services. There is a lack of affordable housing in the area due to high real-estate costs, limited developable land, and because it is out of the reach of severely financially impacted families. Community development needs include investment in community organizations that support affordable housing, healthcare, basic assistance, and educational assistance to low-income individuals and families.

**Non-MSA – (Monroe County)**

Demographic Information for Full-Scope Area: Monroe County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	23	0.00	0.00	39.13	60.87	0.00
Population by Geography	138,687	0.00	0.00	37.16	62.84	0.00
Owner-Occupied Housing by Geography	38,742	0.00	0.00	33.63	66.37	0.00
Businesses by Geography	8,740	0.00	0.00	39.59	60.41	0.00
Farms by Geography	218	0.00	0.00	28.90	71.10	0.00
Family Distribution by Income Level	36,602	12.72	14.39	19.97	52.92	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,922	0.00	0.00	42.85	57.15	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below the Poverty Level	= \$41,475 = \$54,100 =8.68%			Median Housing Value Unemployment Rate	= \$122,155 = 8.8%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, 2010 HUD updated MFI, and U.S. Department of Labor 12/10 not seasonally adjusted unemployment rate.

Monroe County is located in a non-MSA portion of Pennsylvania. The bank’s assessment area is comprised of the entire county and complies with the CRA guidelines by not arbitrarily excluding low- and moderate-income (LMI) geographies. According to the 2000 U.S. Census Data, there are 23 census tracts in the county. There are no low- or moderate-income tracts, 9 middle-income tracts, and 14 upper-income tracts.

The 2000 U.S. Census Data reported the total population of Monroe County at 138,687. This population was comprised of 49,508 households and 36,602 families. The median housing cost is \$122,155 while the median family income was \$41,475 and the HUD adjusted median family income is \$54,100. Approximately 8.7 percent of the households are below the poverty level. Approximately 13 percent of the families in the county are low-income, 14 percent are moderate-income, 20 percent are middle-income, and 53 percent are upper-income. Based on the housing values and the median family income, there is lack of affordability for a low-income individual or family to purchase a home. Approximately 15 percent of the total owned housing costs individuals or families 30 percent or more of their income.

According to the 2010 Business Demographic Data, there are a total of 8,740 businesses and 218 farms. Approximately 40 percent of the businesses are located in middle-income tracts, and 60 percent are located in upper-income tracts. Approximately 77 percent of the businesses have revenues less than \$1 million and approximately 79 percent of the businesses and farms had less than 10 employees.

The primary industries in Monroe County are Services, which account for approximately 44 percent of the total industries followed by Retail Trade and Construction at approximately 16 and 11 percent, respectively. Major employers in the county include: Aventis Pasteur, Weiler Corporation, Camelback Ski Corporation, and the U.S. Government. According to the Bureau of Labor Statistics data, the annual unemployment rate not seasonally adjusted, as of 2010, for Monroe County was 9.9 percent, compared to the Pennsylvania State unemployment rate of 8.7 percent and the national unemployment rate of 9.7 percent. During the evaluation period, the unemployment rate for the county ranged from a monthly low of 4.4 percent to a high of 10.4 percent.

There are a total of 5 branches located in Monroe County, accounting for 45 percent of the total number of FNBPs' branches. All branches have extended hours of operation at least one day a week as well as Saturday morning hours. In addition, all branches are equipped with ATMs and offer drive-through services. A full line of traditional banking products and services are offered at all branch locations.

Based on the June 30, 2010 FDIC Deposit Market Share Report, FNBPs ranked third out of 17 institutions with an 11.53 percent market share in Monroe County, PA. Competition for both loans and deposits is strong in the county, particularly from larger multi-state financial institutions. According to the June 30, 2010 deposit data, the major competitors are PNC Bank, NA, ranking first with a 23.53 percent market share and ESSA Bank & Trust, ranking second with a 21.13 percent market share. Based upon the 2009 HMDA peer mortgage data, FNBPs ranked 13th out of 338 lenders. FNBPs had 1.72 percent market share by number of loans and 0.85 percent market share by dollar volume in Monroe County. The top five lenders in the county were Wells Fargo Bank, NA; Bank of America, N.A.; ESSA Bank & Trust; Citibank, N.A.; and JP Morgan Chase, NA. These top five lenders had a combined market share of 35.51 percent by number of loans and a 34.80 percent market share by dollar volume of loans.

Through discussions with community contacts, we determined that there is an overall credit need for funding to develop affordable housing, especially given the continued influx of individuals from New York and New Jersey who have driven up the median cost of housing and median income. For those native to Monroe County or working in Monroe County, it is more and more difficult to afford a home or to stay in a home. Financial education has also been identified as a particular need, especially as it relates to credit card use and basic banking skills. Additionally, continued assistance for LMI individuals who rent and are impeded by high upfront costs such as security deposits and last month rent deposits, was identified.

## 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: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

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. See Interagency Q&As \_\_\_12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- 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. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**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: FNB Palmerton						Evaluation Period: October 1, 2007 to December 31, 2010				
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)	
<b>Full Review:</b>												
Allentown-Bethlehem-East NJ MSA 10900	NA	817	64,208	NA	NA	NA	NA	0	0	NA	NA	NA
Non-MSA – Monroe Count	NA	564	37,225	NA	NA	NA	NA	0	0	NA	NA	NA

\* Loan Data as of December 31, 2010. Rated area refers to either the state or multi-state MA rating area. We were not provided with the total number and dollar amount of small loans to businesses.

\*\* The evaluation period for Community Development Loans is February 12, 2008 to June 13, 2011.

\*\*\* This data is not applicable due to loan sampling. HMDA and CRA data was not provided in the appropriate format to receive Market Share Data.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: FNB Palmerton						Evaluation Period: October 1, 2007 to December 31, 2010							
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
<b>Full Review:</b>															
Allentown-Bethlehem-Easton, PA-NJ MSA 10900	104	57.14	0.00	0.00	11.49	20.00	69.97	75.00	18.53	5.00	NA	NA	NA	NA	NA
Non-MSA – Monroe County	78	42.86	0.00	0.00	0.00	0.00	33.63	15.00	66.37	85.00	NA	NA	NA	NA	NA

\* This data is not applicable due to loan sampling. HMDA data was not provided in the appropriate format to receive Market Share Data.

\*\* 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 2000 Census information.

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

Geographic Distribution: HOME IMPROVEMENT			Geography: FNB Palmerton				Evaluation Period: October 1, 2007 to December 31, 2010					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement 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						
<b>Full Review:</b>																
Allentown-Bethlehem-Easton, PA-NJ MSA 10900	144	48.81	0.00	0.00	11.49	20.00	69.97	80.00	18.53	0.00	NA	NA	NA	NA	NA	
Non-MSA – Monroe County	151	51.19	0.00	0.00	0.00	0.00	33.63	40.00	66.37	60.00	NA	NA	NA	NA	NA	

\* This data is not applicable due to loan sampling. HMDA data was not provided in the appropriate format to receive Market Share Data.

\*\* 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 2000 Census information.

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

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: FNB Palmerton				Evaluation Period: October 1 2007 to December 31, 2010									
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% Owner Occ*** Units	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Allentown-Bethlehem-Easton, PA-NJ MSA 10900	569	62.94	0.00	0.00	11.49	20.00	69.97	80.00	18.53	0.00	NA	NA	NA	NA	NA	
Non-MSA – Monroe County	335	37.06	0.00	0.00	0.00	0.00	33.63	50.00	66.37	50.00	NA	NA	NA	NA	NA	

\* This data is not applicable due to loan sampling. HMDA data was not provided in the appropriate format to receive Market Share Data.

\*\* 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 2000 Census information.

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

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: FNB Palmerton						Evaluation Period: October 1, 2007 to December 31, 2010								
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	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Allentown-Bethlehem-Easton, PA-NJ MSA 10900	NA	NA	0.00	0.00	12.09	20.00	64.82	50.00	23.08	30.00	NA	NA	NA	NA	NA	NA	NA
Non-MSA – Monroe County	NA	NA	0.00	0.00	0.00	0.00	39.59	60.00	60.41	40.00	NA	NA	NA	NA	NA	NA	NA

\* This data is not applicable due to loan sampling. CRA loan data was not provided in the appropriate format to receive Market Share Data or Total Small Business Loans.  
 \*\* 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 (2010).

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

Borrower Distribution: HOME PURCHASE			Geography: FNB Palmerton				Evaluation Period: October 1, 2007 to December 31, 2010					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	
<b>Full Review:</b>																
Allentown-Bethlehem-Easton, PA-NJ MSA	104	57.14	16.81	10.00	20.63	25.00	25.52	30.00	37.03	30.00	NA	NA	NA	NA	NA	
Non-MSA – Monroe County	78	42.86	12.72	10.00	14.39	20.00	19.97	20.00	57.92	50.00	NA	NA	NA	NA	NA	

\* This data is not applicable due to loan sampling. HMDA data was not provided in the appropriate format to receive Market Share Data.  
 \*\* 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 Families is based on the 2000 Census information.  
 \*\*\*\* As a percentage of loans with borrower income information available.

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

Borrower Distribution: HOME IMPROVEMENT			Geography: FNB Palmerton				Evaluation Period: October 1, 2007 to December 31, 2010					Market Share				
MA/Assessment Area:	Total Home Improvement 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	
<b>Full Review:</b>																
Allentown-Bethlehem-Easton, PA-NJ MSA	144	48.81	16.81	15.00	20.63	35.00	25.52	30.00	37.03	15.00	NA	NA	NA	NA	NA	
Non-MSA – Monroe County	151	51.19	12.72	0.00	14.39	25.00	19.97	25.00	52.92	50.00	NA	NA	NA	NA	NA	

\* This data is not applicable due to loan sampling. HMDA data was not provided in the appropriate format to receive Market Share Data.

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

\*\*\*\* As a percentage of loans with borrower income information available.

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

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: FNB Palmerton				Evaluation Period: October 1, 2007 to December 31, 2010									
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****	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Allentown-Bethlehem-Easton, PA-NJ MSA	569	62.94	16.81	5.00	20.63	20.00	25.52	25.00	37.03	50.00	NA	NA	NA	NA	NA	
Non-MSA – Monroe County	335	37.06	12.72	5.00	14.39	5.00	19.97	30.00	52.92	50.00	NA	NA	NA	NA	NA	

\* This data is not applicable due to loan sampling. HMDA data was not provided in the appropriate format to receive Market Share Data.

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

\*\*\*\* As a percentage of loans with borrower income information available.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: FNB Palmerton		Evaluation Period: October 1, 2007 to December 31, 2010			
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
<b>Full Review:</b>									
Allentown-Bethlehem-Easton, PA-NJ MSA 10900	NA	NA	78.97	75.00	60.00	20.00	20.00	NA	NA
Non-MSA – Monroe County	NA	NA	77.04	70.00	70.00	15.00	15.00	NA	NA

\* This data is not applicable due to loan sampling. CRA loan data was not provided in the appropriate format to receive Market Share Data or Total Small Loans to Businesses.

\*\* 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 - 2010).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: FNB Palmerton				Evaluation Period: February 12, 2008 to June 13, 2011			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Allentown-Bethlehem-Easton, PA-NJ MSA	1	568	12	89	13	657	79.19	0	0
Non-MSA – Monroe County	1	162	7	10	8	172	20.81	0	0

\* 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: FNB Palmerton Evaluation Period: February 12, 2008 to June 13, 2011																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Allentown-Bethlehem-Easton, PA-NJ MSA	55.10	6	54.55	0.00	16.67	83.33	0.00	1	0	0	0	+1	0	0.00	12.12	69.21	18.67
Non-MSA – Monroe County	45.90	5	45.45	0.00	0.00	40.0	60.00	1	0	0	0	+1	0	0.00	0.00	37.16	62.84