



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 09, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Liverpool
Charter Number 8326

104 N. Front Street
Liverpool, PA 17045

Office of the Comptroller of the Currency

NORTHERN PENNSYLVANIA FIELD OFFICE
60 Public Square Suite 602
Wilkes-Barre, PA 18701

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

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

- The bank's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, AA's credit needs, and the loan-to-deposit ratio exceeds the standards for satisfactory performance;
- A substantial majority of the home mortgage loans originated during the evaluation period were within the AA, exceeding the standard for satisfactory performance for lending in the AA;
- The bank's record of lending to borrowers of different incomes meets the standard for satisfactory performance; and
- The bank has not received any CRA-related consumer complaints since the last CRA examination.

SCOPE OF EXAMINATION

CRA activities at The First National Bank of Liverpool (FNBL) were completed using full-scope review procedures for its assessment areas (AAs). Our review covered the bank's performance from January 1, 2006 through September 30, 2008. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination. During the evaluation period, the bank was not a Home Mortgage Disclosure Act (HMDA) reporter, however, for our review we sampled 20 mortgage loans for each of the bank's AAs for a total of 40 loans reviewed.

DESCRIPTION OF INSTITUTION

FNBL, established August 13, 1906, is an intrastate bank headquartered in Liverpool, PA. As of September 30, 2008, FNBL had total assets of \$40 million. Juniata Valley Financial Corp, headquartered in Mifflintown, PA, is the largest owner with 39% of FNBL stock.

FNBL is a full-service bank offering retail and commercial banking services as well as internet and telephone banking. FNBL operates one full service office with ATM access located at 104 N. Front Street, Liverpool, PA. Main office hours are offered Monday through Friday and Saturday morning. During the evaluation period from January 1, 2006 to September 30, 2008, the bank did not open or close any branches.

As of September 30, 2008, FNBL had net loans of \$30 million, 74% of average assets, and tier-one capital of \$5 million. The loan portfolio consists of 85% one-to-four family residential real estate loans, 9% commercial real-estate loans, and 6% consumer loans.

Competition for deposits in the AAs from other financial institutions is strong. According to the June 30, 2008 FDIC Summary of Deposits Market Share Report, FNBL ranked twenty-seventh out of thirty institutions in the Harrisburg-Carlisle, PA MSA with 0.40%

deposit market share. Manufacturers & Traders Trade Company is ranked first with 659 offices in the MSA and 12.82% of the deposit market share. Other institutions include PNC Bank with 1,048 offices and 12.60% market share, and Commerce Bank with 17 offices and 11.11% deposit market share. FNBL's main office is located in Perry County, PA, which enables the bank's deposit market share to be captured only in the Harrisburg-Carlisle MSA. The bank ranked sixth out of seven institutions in Perry County, PA with a deposit market share of 6.63%. Bank of Landisburg ranked first in Perry County, PA with 3 offices and 31.62% of the deposit market share. Other institutions include second ranked Orrstown Bank with 17 offices and 19.19% deposit market share, and third ranked First National Bank of Mifflintown with 5 offices and 16.46% deposit market share.

There are no legal, financial or other factors impeding FNBL's ability to help meet the credit needs in its AA. FNBL received an "Outstanding" rating on its last performance evaluation, dated July 29, 2002, by the Office of the Comptroller of the Currency (OCC).

DESCRIPTION OF ASSESSMENT AREA(S)

FNBL has identified their AAs as Perry County (in the Harrisburg-Carlisle MSA), and Juniata and Snyder counties (non-MSA counties). The AAs meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Perry County is part of the Harrisburg-Carlisle MSA (25420), which contains nine census tracts (CTs). The AA has one CT in a moderate-income geography (11.11%) and eight CTs in middle-income geographies (88.89%). There are no low- or upper-income tracts in the AA. The total population in the AA was 43,602 as of the 2000 U.S. Census. The unemployment rate for the MSA, as of November 2008, was 5.1%. The unemployment rate for Perry County, as of November 2008, is 5.8%, which is higher than the MSA, but comparable to the state's unemployment rate. Major employers in the AA include: H E Rohrer Inc (Transportation and Warehousing), Department of Public Welfare (Health Care and Social Assistance), and Commonwealth of Pennsylvania. The following chart describes the demographics of the MSA:

Liverpool Perry MSA

Demographic Information for Full Scope Area: Liverpool Perry MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0.00	11.11	88.89	0.00	0.00
Population by Geography	43,602	0.00	6.84	93.16	0.00	0.00
Owner-Occupied Housing by Geography	13,288	0.00	6.48	93.52	0.00	0.00
Business by Geography	2,324	0.00	2.88	97.12	0.00	0.00
Farms by Geography	234	0.00	8.12	91.88	0.00	0.00
Family Distribution by Income Level	12,443	19.57	21.96	28.18	30.30	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	5,167	0.00	8.34	91.66	0.00	0.00
Median Family Income		52,829	Median Housing Value		94,528	
HUD Adjusted Median Family Income for 2008		65,600	Unemployment Rate (2000 US Census)		1.94%	
Households Below Poverty Level		7%				

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

Source: 2000 US Census and 2008 HUD updated MFI

The median cost of housing in the AA is \$94,528. The Updated Median Family Income for 2008 is \$65,600. The percentage of households below the poverty level is 7%. The AA's population is comprised of 12,443 families with the following family income distribution: 19.57% are low-income, 21.96% are moderate-income, 28.18% are middle-income, and 30.30% are upper-income.

In 2007, FNBL was not a HMDA reporter, however, from the 2007 HMDA peer data it was noted that out of 160 lenders, The Bank of Landisburg was ranked first with a market share of 9.48%. The First National Bank of Mifflintown followed second with a market share 9.02%.

A community contact was made with the local housing authority. The housing authority specializes in the acquisition and transition into affordable homes for low- to moderate-income individuals and families. The contact could not identify unmet credit needs in the community. The contact's perception of financial institutions was positive and did not note any additional services that banks could do to assist the local community. The contact explained that there is a continued need for affordable housing within the community. However, financial institutions have been helpful by actively participating with the housing authority in making affordable housing for low- to moderate-income individuals and families.

Juniata/Snyder Non-MSA

Juniata/Snyder Counties contains 11 CTs in the AA. Ten CT's are middle-income (90.91%) and one CT is upper-income (9.09%). There are no low- or moderate-income areas in the AA, however, the entire county of Juniata has been classified as "underserved" by the federal banking regulators for the past three years.

The total population in the AA was 60,367 as of the 2000 U.S. Census. The unemployment rate for Juniata County, as of November 2008, was 6.1%. The unemployment rate for Snyder County, as of November 2008, was 6.7%. Major employers in Juniata County include: Empire Kosher Poultry Inc, Armstrong Wood Products, Excel Home LLC (Manufacturing). Major employers in Snyder County consist of Wood Mode Inc. (Manufacturing), Department of Public Welfare (Health Care and Social Assistance), and Susquehanna University (Educational Services).

The following chart describes the demographics of the Non-MSA:

Liverpool Juniata Snyder NONMSA

Demographic Information for Full Scope Area: Liverpool Juniata Snyder NONMSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	11	0.00	0.00	90.91	9.09	0.00
Population by Geography	60,367	0.00	0.00	90.87	9.13	0.00
Owner-Occupied Housing by Geography	17,122	0.00	0.00	88.91	11.09	0.00
Business by Geography	3,276	0.00	0.00	85.50	14.50	0.00
Farms by Geography	304	0.00	0.00	95.39	4.61	0.00
Family Distribution by Income Level	16,480	16.11	21.09	25.56	37.23	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,131	0.00	0.00	92.35	7.65	0.00
Median Family Income	41,475	Median Housing Value		87,368		
HUD Adjusted Median Family Income for 2008	49,800	Unemployment Rate (2000 US Census)		1.81%		
Households Below Poverty Level	10%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2008 HUD updated MFI

The median cost of housing in the non-MSA AA is \$87,368. The Updated Median Family income for 2008 is \$49,800. The percentage of households below poverty level is 10%. The AA's population is comprised of 16,480 families with the following family income distribution: 16.11% are low-income, 21.09% are moderate-income, 25.56% are middle-income, and 37.23% are upper-income families.

As previously noted, in 2007, HMDA data was unavailable for FNBL in regards to 2007 peer mortgage data. However, for Juniata County, The First National Bank of Mifflintown ranked first with 25.25% of the market share followed by Juniata Valley Bank with 17.94%. As for Snyder County, Susquehanna Bank PA ranked first with 10.61% market share with Omega Bank ranking second with a market share of 6.59%.

A community contact was made with a local municipality office. They are responsible for budgeting, the setting of County real estate, and implementing various programs mandated by the Federal and State Government. The need for financial institutions support was identified as the community continues to develop. The contact noted the

need for more employers in the community in order to create new jobs for individuals. The contact did not identify any unmet credit needs by local financial institutions. According to the contact, local financial institutions are perceived as being able to meet the credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNBL's performance is "Satisfactory". FNBL's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AAs' credit needs. A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. When considering the bank's overall performance context, FNBL's record of lending to borrowers of different incomes meets the standard for satisfactory performance. Furthermore, FNBL's record of lending to borrowers in different geographies meets the standards for satisfactory performance.

Loan-to-Deposit Ratio

FNBL's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AAs' credit needs, and the net loan-to-deposit ratio exceeds the standards for satisfactory performance. The bank's quarterly average loan-to-deposit ratio, since the last CRA examination, was 88% over the last 25 quarters. This ratio exceeds those of similarly situated national banks in Pennsylvania, which averaged 59% over the same 25 quarters.

Lending in Assessment Area

A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. FNBL exceeds the standard for satisfactory performance for lending in the AA. An analysis of the mortgage data disclosed that 93% of the number of loans originated in the AA.

Lending to Borrowers of Different Incomes

Overall, FNBL's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Harrisburg-Carlisle MSA:

The lending to borrowers of different incomes reflects reasonable penetration. The level of home purchase mortgage loans originated to low-income borrowers in the Harrisburg-Carlisle MSA is near to the percentage of low-income families in the AA. The level of home improvement loans originated to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The level of home refinance loans originated to low-income borrowers exceeds the ratio of low-income families.

The level of home purchase and improvement loans made to moderate-income

borrowers in the Perry MSA is near to the percentage of moderate-income families in the AA. The level of home refinance loans to moderate-income borrowers exceeds the ratio of moderate-income families.

Table 1 - Borrower Distribution of Residential Real Estate Loans in [Harrisburg-Carlisle MSA]								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.57	16.67	21.96	16.67	28.18	33.33	30.30	33.33
Home Improvement	19.57	0	21.96	14.29	28.18	57.14	30.30	28.57
Home Refinance	19.57	42.86	21.96	28.57	28.18	28.57	30.30	0

Source: Bank Loan Sample

Juniata/Snyder Non-MSA

The lending to borrowers of different incomes reflects reasonable penetration. The level of home purchase loans made to low-income borrowers in the non-MSA exceeds the ratio of low-income families in the AA. The level of home improvement and refinance loans are significantly lower than the ratio of low-income families in the AA. The median cost of housing in the AA is \$87,368, based on 2000 U.S. Census data. The HUD updated median family income for 2008 is \$49,800. This means that a low-income person earns less than \$24,900 in the non-MSA AA. Based on these statistics, it would be difficult for a low-income individual to purchase, improve, or refinance their housing.

The percentage of home purchase, improvement, and refinance mortgage loans made to moderate-income borrowers exceeds the ratio of moderate-income families in the MSA. This performance is excellent.

Table 2 - Borrower Distribution of Residential Real Estate Loans in [Non-MSA Juniata/Snyder]								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.11	25.00	21.09	25.00	25.56	25.00	37.23	25.00
Home Improvement	16.11	0	21.09	66.67	25.56	33.33	37.23	0
Home Refinance	16.11	0	21.09	22.22	25.56	44.44	37.23	33.33

Source: Bank Loan Sample

Geographic Distribution of Loans

Overall, the geographic distribution of loans in the AA reflects reasonable dispersion. We did not identify any unexplained conspicuous gaps.

Harrisburg-Carlisle MSA

FNBL’s record of lending to borrowers in different geographies meets the standard for satisfactory performance. Geographic distribution of loans reflects reasonable dispersion in the AA. There are no low-income or upper-income geographies in the AA. Of the nine CTs located in the AA, there are no low-income CTs and only one moderate-income CT. Within the moderate-income CT, only 6.48% (861 houses out of 13,288) of houses are owner-occupied. This percentage is significantly lower than the ratio with none of our loans sampled being within the moderate-income CT. Given the limited opportunities to lend in moderate-income geographies coupled with the larger regional banks in the AA, it would be difficult for FNBL to originate loans in the moderate-income CT.

Please refer to Table 3 below.

Table 3 - Geographic Distribution of Residential Real Estate Loans in [Harrisburg-Carlisle MSA]								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	6.48	0	93.52	100	0	0
Home Improvement	0	0	6.48	0	93.52	100	0	0
Home Refinance	0	0	6.48	0	93.52	100	0	0

Source: Bank Loan Sample

Juniata/Snyder Non-MSA

The bank’s AA consists of ten middle-income and one upper-income areas for the 2000 census, therefore, a geographic analysis is not meaningful. While there are no low- or moderate-income geographies, Juniata County has been classified as an underserved middle-income area for the previous three years.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	0	0	88.91	100	11.09	0
Home Improvement	0	0	0	0	88.91	100	11.09	0
Home Refinance	0	0	0	0	89.91	100	11.09	0

Source: Bank Loan Sample

Responses to Complaints

The bank has not received any CRA-related consumer complaints since the last CRA examination.

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.