

PUBLIC DISCLOSURE

January 11, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank
of
Lilly
Charter Number 8450

500 Main Street
Lilly, Pennsylvania 15938

Office of the Comptroller of the Currency
4075 Monroeville Boulevard, Suite 300
Monroeville, Pennsylvania 15146

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Lilly** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 11, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Lending volumes are reasonable given limitations within the bank's assessment area. In addition, the bank's distribution of home improvement and consumer installment loans to low- and moderate income borrowers is excellent. A majority of lending is within the CRA assessment area.

The following table indicates the performance level of The First National Bank of Lilly with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Lilly</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio			X
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis Not Meaningful		
Response to Complaints	No Complaints Received		

DESCRIPTION OF INSTITUTION

The First National Bank of Lilly (FNB) is a \$19 million community bank located in northern Cambria County, Pennsylvania. FNB is an independently owned, full service financial institution which operates from a single location in the Lilly Borough. FNB does not own an automated teller machine (ATM).

FNB's credit products focus on residential real estate, consumer loans, and commercial lending. It has 70% of its loan portfolio by *dollar volume* in residential real estate loans, 19% in consumer loans, and 11% in commercial loans. The bank's financial condition and product offerings do not limit its ability to meet the community's credit needs. Individuals can refer to the bank's CRA Public File for a specific list of available products and services.

DESCRIPTION OF BANK'S ASSESSMENT AREA

FNB's assessment area (AA) includes the boroughs and townships in its immediate geographic area, specifically: Lilly, Cassandra, Cresson, Sankertown, and Portage Boroughs, as well as Washington, Cresson, Munster, and Portage Townships. The AA is located within the Johnstown metropolitan statistical area (MSA) and consists of four whole census tracts (CT's). All four CT's are designated as middle income by the 1990 US Census Bureau and had a 1990 census population of 16,000. FNB's primary market area is Lilly Borough and Washington Township with a combined population of approximately 1,000. FNB's AA meets legal requirements and does not arbitrarily exclude low- and moderate income geographies.

Nearby communities of Cresson and Portage are served by at least five competitive financial institutions. These institutions are significantly larger than FNB and operate extensive branching/ATM systems.

The 1997 Johnstown MSA median *family* income is \$30,200. Major employers include a local mining operation, a bolt manufacturing and scrap metals facility, a plastics molding facility, local school systems, and nearby correctional facilities. Upper Cambria County is predominately rural with a stagnate to declining economic base. The area has been designated as 'economically distressed' by the state of Pennsylvania. The unemployment rate for Cambria County is historically one of the highest in Pennsylvania and currently approximates 6% to 7%. In addition, Lilly Borough does not benefit from a modern sewage system. This has effectively halted commercial development and new home construction for many years. Economic development and housing needs in Lilly include sewage system upgrades, existing home purchase and home improvement loans, consumer loans, and small business loans.

Examiners contacted local government officials and an area realtor. These organizations indicated a community credit need for home improvement loans and consumer loans

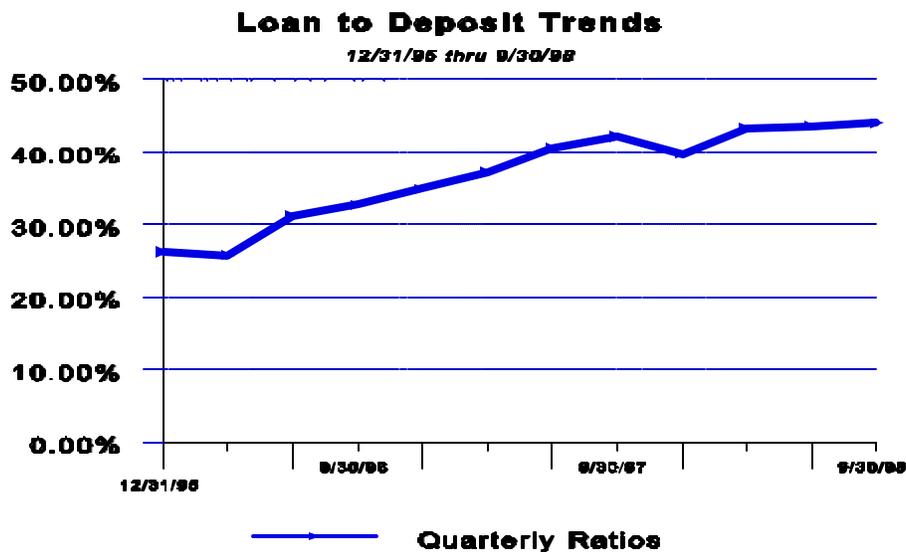
within the Lilly Borough and Washington Township area. They indicated that the bank has made visible strides in making credit available in the area and that the credit needs of the community are being met.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

The bank's overall lending performance remains low, but has shown steady growth, and is significantly improved since the 1996 CRA examination. The September 30, 1998 loan to deposit ratio was 44% compared to a local peer ratio of 73%. FNB's most recent CRA examination, with an examination date of 12/31/95, indicated a loan to deposit ratio of less than 25%. Since then, the bank has focused efforts on extending credit to its community. Programs implemented include marketing efforts to renew the community's perception of credit availability, market surveys, and participation in local business groups.

Lack of lending opportunities due to sewage system restrictions, limited market presence, and local economic conditions contribute to FNB's limited lending activities.



Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's lending shows a satisfactory penetration among low- and moderate-income individuals and small businesses. Lending patterns reflect FNB's AA demographics and the community's credit needs, specifically, home improvement and installment lending.

The following represents US Census Data for 1990 regarding the number of low- and moderate families within FNB's assessment area.

	Low Income	Moderate Income	Middle Income	Upper Income
Percentage of Families	16%	21%	24%	39%

The bank's home improvement and consumer installment lending demonstrates an excellent penetration to low- and moderate income borrowers. Since 12/31/95, FNB has originated approximately 50% of its home improvement loans and consumer installment loans, by dollar and number, to low- and moderate income borrowers.

The following table details home improvement (HI) and consumer loan originations since 12/31/95:

	Low Income		Moderate Income		Middle Income		Upper Income	
	\$\$\$	###	\$\$\$	###	\$\$\$	###	\$\$\$	###
HI	17%	31%	45%	31%	12%	19%	25%	19%
Consumer	17%	32%	23%	24%	17%	21%	43%	22%

* \$\$\$ indicates loan originated by dollar amounts

indicates loans originated by volume

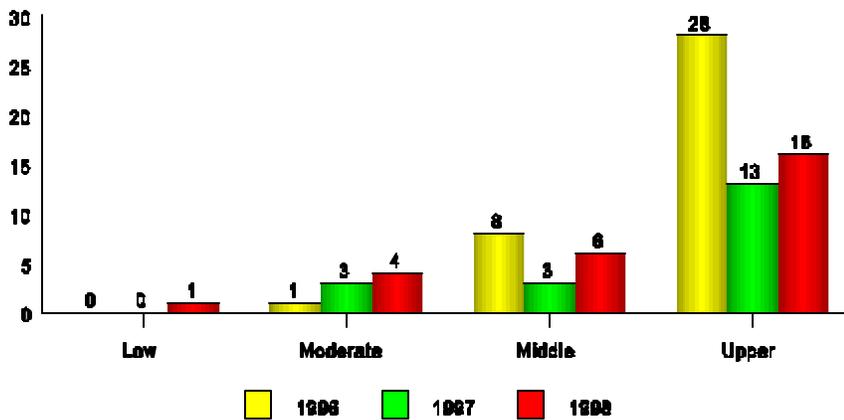
The bank's residential mortgage lending is reasonable with a positive trend toward low- and moderate borrowers since 1996.

The following table indicates residential mortgage originations since 12/31/95. The accompanying chart demonstrates residential mortgage lending trends since 12/31/95.

	Low Income		Moderate Income		Middle Income		Upper Income	
	\$\$\$	###	\$\$\$	###	\$\$\$	###	\$\$\$	###
Residential Real Estate	1%	13%	6%	10%	14%	20%	80%	69%

First Mortgage Residential Loans

Origination Trends by Volume



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** \$\$\$ indicates loan originated by dollar amounts

indicates loans originated by volume

Housing and Urban Development (HUD) prepared information indicates the volume of reporting businesses with gross annual revenues less than \$1 million is 73% within the AA.

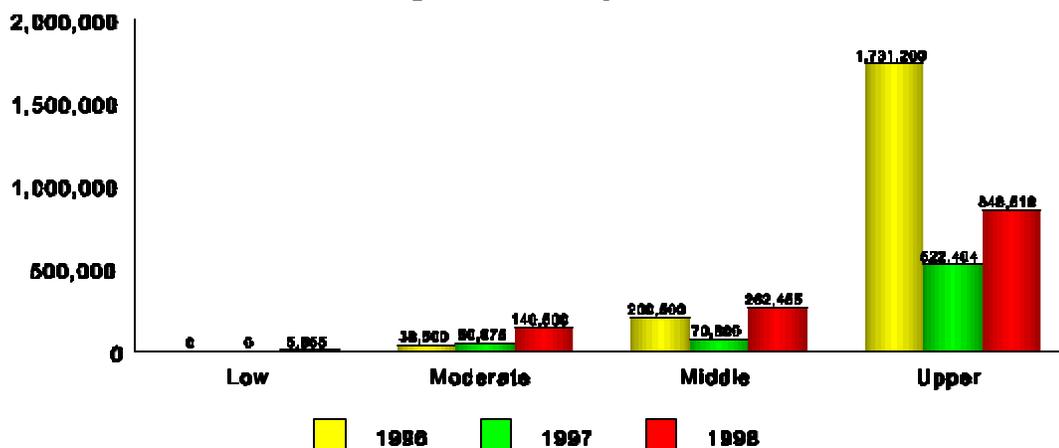
Examiners noted that 100% of commercial loans originated within the AA were to businesses with gross annual revenues less than \$1 million.

Lending in Assessment Area

A majority of the bank's loan originations are to borrowers within its AA. Since January 1996, FNB has originated 71% by volume and 61% by dollar of total loans within the AA.

First Mortgage Residential Loans

Origination Trends by Dollar



Geographic Distribution of Loans

An analysis of the geographic distribution of loans within the AA is not meaningful as the AA contains only middle income

CT's.

Response to Complaints

No complaints have been received since the last examination.

Record of Compliance with Antidiscrimination Laws

Examiners found no violations of the antidiscrimination laws and regulations. The bank has appropriate policies, procedures and training programs in place to prevent discriminatory or other illegal credit practices.