



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 29, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Citizens National Bank of Meyersdale  
Charter Number 5833

135 Center Street  
Meyersdale, PA 15552

Office of the Comptroller of the Currency

WESTERN PENNSYLVANIA (PITTSBURGH) FIELD OFFICE  
4075 Monroeville Boulevard Building 2, Suite 300  
Monroeville, PA. 15146-2529

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

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

The primary factors supporting the bank's overall rating include:

- The bank's quarterly average, net loan-to-deposit ratio is considered to be reasonable;
- The bank originated a substantial majority of sampled loans within its assessment area;
- The bank's record of originating loans reflects reasonable distribution among assessment area borrowers of different income levels;
- The bank's record of originating loans reflects excellent distribution among assessment area geographies of different income levels;
- The bank has received no consumer complaints regarding its community reinvestment performance.

**SCOPE OF EXAMINATION**

Citizen's National Bank of Meyersdale (CNB) was evaluated under the Small Bank Community Reinvestment Act (CRA) examination procedures. Our review covered the bank's performance from January 1, 2007 to March 3, 2009, as this is representative of its lending strategy since the last CRA examination. Residential mortgages were determined to be the bank's primary loan product and were reviewed as part of this examination. In order to assess the bank's lending activity, we reviewed a random sample of thirty-two residential mortgage loans originated between January 1, 2007 and March 31, 2009.

**DESCRIPTION OF INSTITUTION**

CNB is an independently owned intrastate community bank. CNB operates a single branch located at the site of its main office in Meyersdale, Pennsylvania. CNB also operates a drive-up facility and an ATM on premises and is open for business during normal business hours. CNB offers traditional deposit and loan services, online banking, and trust services. CNB's website includes detailed information regarding product and service offerings for consumers and businesses. CNB did not open or close any branch offices during the evaluation period.

As of March 31, 2009, MVB reported total assets of \$57 million, net tier 1 capital of \$9 million, deposits of \$48 million and net loans and leases of \$34 million. Net loans and leases represented 60% of total assets. CNB’s loan portfolio consists of residential real estate loans (67%), commercial loans (24%), consumer loans (6%), and municipal loans (3%).

CNB competes primarily against larger institutions that operate multiple branch offices located in the county and state. CNB’s primary competitors include: Somerset Trust Company, First National Bank of Pennsylvania, First People’s Community Federal Credit Union, and First Commonwealth Bank.

There are no legal, financial, or other factors impeding the bank’s ability to meet the credit needs in its assessment area. CNB was rated “Satisfactory” at its last CRA examination, dated November 3, 2003.

**DESCRIPTION OF ASSESSMENT AREA(S)**

CNB’s assessment area (AA) meets CRA regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. CNB’s AA is comprised of eleven census tracts (CTs) located within Somerset County Pennsylvania. Somerset County is not located within a Metropolitan Statistical Area (MSA). The townships and boroughs located within the AA include: Somerset Township, Somerset Borough, Stonycreek, Allegheny, Fairhope, Greenville, Larimer, Northampton, Southampton, Brothersvalley, Summit, Meyersdale, Elk Lick, Black, and Milford.

<b>TABLE 1 Demographic Information For Full Scope Area: Citizens National Bank Non MSA AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	11	0.00	18.18	81.82	0.00	0.00
Population by Geography	41,120	0.00	11.87	88.13	0.00	0.00
Owner-Occupied Housing by Geography	11,599	0.00	9.03	90.97	0.00	0.00
Business by Geography	2,804	0.00	19.51	80.49	0.00	0.00
Farms by Geography	180	0.00	3.33	96.67	0.00	0.00
Family Distribution by Income Level	10,962	19.99	22.29	25.68	32.05	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,634	0.00	47.28	52.72	0.00	0.00
Median Family Income		37,649	Median Housing Value		73,823	
HUD Adjusted Median Family Income for 2008		51,500	Unemployment Rate (2000		2.28%	
Households Below Poverty Level		12.56%	US Census)			

Of the eleven CTs comprising CNB's AA, two and nine are classified as moderate- and middle-income respectively. The AA does not contain any low- or upper-income CTs.

According to 2000 U.S. Census Data, the AA population totaled 41,120, AA families totaled 10,962 and AA households totaled 15,388. Of AA households, 13% subsist below the poverty level. Of the 10,962 AA families, 20%, 22%, 26% and 32% are classified as low-moderate-middle-and upper-income respectively.

The US census reports for 2000, the statewide non-metropolitan median family income to be \$37,649. AA housing consists of 17,433 units, of which 66% are owner-occupied, 22% are renter-occupied and 11% are vacant. The median AA housing value is \$73,823.

Somerset County is located in southern Pennsylvania and is bordered by Maryland to the south. The local economy has experienced deterioration since 2006. According to the FDIC's Regional Economic Condition report, employment in Somerset County contracted in 2006, 2007, and 2008 despite modest employment growth statewide during the same period. According to the Bureau of Labor Statistics, the non-seasonally adjusted June 2009 unemployment rate was 8.5%, which was slightly above the Pennsylvania state average of 8.4%. Historically, the Somerset County unemployment rate has been approximately 1% above the state unemployment rate. Major Somerset County employers include state government, Seven Springs Farm, Somerset Community Hospital, Fleetwood Folding Trailers, and the Somerset Area School District. According to the U.S. Census Bureau Programs, major Somerset industries, by number of employees, include: hospitals, restaurants, religious organizations, nursing care facilities, and coal mining.

CNB competes primarily against larger institutions that operate multiple branch offices, located throughout the county and state. According to the FDIC's June 30, 2008 Deposit Market Share Report, of eight deposit taking financial institutions operating in Somerset County, CNB is ranked sixth with 4% of deposit market share. CNB's primary competitors include: Somerset Trust Company (nine branches, 29.85% deposit market share), First National Bank of Pennsylvania (twelve branches, 27.93% deposit market share), First Peoples Community Federal Credit Union (seven branches), and First Commonwealth Bank (five branches, 15.20% deposit market share).

A local business organization was contacted in conjunction with this examination. The organization serves as an advocate for business development within the community by attracting new businesses and industries to the area. The community contact stated that small business lending is always in demand. The contact also stated that anticipated local population growth resulting from growth in the county's energy sector, would create additional demand for rental housing. The contact advised that local banks are doing an exceptional job of meeting community credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB’s performance under the lending test is “Satisfactory.” CNB’s loan-to-deposit ratio is considered to be reasonable. CNB originated a majority of sampled residential mortgage loans within its AA. CNB demonstrates a reasonable record of originating residential mortgage loans among AA borrowers of different income levels. CNB demonstrates an excellent record of originating residential mortgage loans among AA geographies of different income levels.

### Loan-to-Deposit Ratio

CNB’s lending activity, measured by its LTD ratio is considered to be reasonable and meets the standard for satisfactory performance, considering the bank’s size, financial condition, lending opportunities and competitive market.

Lending activity over the evaluation period was measured by comparing the twenty-two quarter-average, LTD ratios reported by CNB and a peer group, consisting of Pennsylvania banks of similar size. The twenty-two quarter average LTD ratio was calculated using financial data reported for each quarter-end, over the period since the previous evaluation. CNB’s net LTD ratio over the evaluation period averaged 58%, ranged between 49% and 72% and trended upward.

CNB’s quarterly average net LTD ratio compares favorably to the average net LTD ratio reported over the same period, by similarly sized commercial banks operating in the state of Pennsylvania. The average LTD ratio, over the period, reported by the peer group of similarly sized, commercial institutions in Pennsylvania was 48% and ranged between 30% and 89%. When similarly sized savings institutions in Pennsylvania are added to the peer group of commercial institutions in Pennsylvania, the average LTD ratio over the same period was 71% and ranged between 30% and 132%.

### Lending in Assessment Area

CNB’s record of originating loans within its AA, measured by data collected from a sample of residential mortgage loans meets the standard for satisfactory performance. Of thirty-two sampled residential mortgage loans, a majority of 88% were secured by properties located within CNB’s AA.

<b>Distribution of Residential Real Estate Loans Inside and Outside the Assessment Area</b>				
	Inside Assessment Area		Outside Assessment Area	
Loan Type	# of Loans	% of Loans	# of Loans	% of Loans
Residential Real Estate Loans	28	87.5%	4	12.5%

Source: CNB loan sample from January 2007-March 2009

**Lending to Borrowers of Different Incomes**

CNB’s record of lending to AA borrowers of different income levels meets the standard for satisfactory performance.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
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
Residential Real Estate Loans	19.99%	14.29%	22.29%	35.14%	25.68%	28.57%	32.05%	21.43%

*Source: CNB loan sample from January 2007-March 2009; 2000 U.S. Census data.*

The table above details the distribution of sampled residential mortgage loans originated by CNB over the period, in the AA, among borrowers of different income levels. Specifically, of sampled residential mortgage loans originated by CNB over the period, the percentage of loans originated to AA borrowers classified as low-income is less than the percentage of AA families classified as low-income.

CNB’s record of lending to low-income AA borrowers is affected by area demographic factors such as housing affordability. According to 2000 U.S. Census data, the median cost of AA housing is \$73,823. The 2008 HUD updated median family income is \$51,500, which indicates that a low-income AA borrower earned less than \$25,750. Additionally, 13% of AA families subsist below the poverty level. These factors impact the demand for residential real estate loans from low-income AA residents.

However, of sampled residential mortgage loans originated by CNB over the period in the AA, the percentage of loans originated to moderate-income AA borrowers exceeds the percentage of AA families classified as moderate-income. Overall, CNB’s record of distributing residential mortgage loan originations to AA borrowers of different income levels is considered to be reasonable considering AA demographic factors as well as economic conditions, including housing affordability, poverty levels and unemployment.

**Geographic Distribution of Loans**

CNB’s record of lending among AA CTs of different income levels exceeds the standard for satisfactory performance.

<b>Geographic Distribution of Residential Real Estate Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>
<b>Residential Real Estate Loans</b>	00.00%	00.00%	9.03%	32.14%	90.97%	67.86%	00.00%	00.00%

*Source: CNB loan sample from January 2007-March 2009; 2000 U.S. Census data.*

The table above details the distribution of sampled residential mortgage loans originated by CNB over the evaluation period, within the AA, among CTs of different income levels. Specifically, of sampled residential mortgage loans originated by CNB over the period, the percentage of loans originated within AA, CTs classified as moderate-income exceeds the percentage of owner-occupied housing located within the moderate-income CTs. The AA does not contain any low-income CTs. No conspicuous gaps or areas of low penetration were identified.

**Responses to Complaints**

CNB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

**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.