



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Mifflintown
Charter Number 4039**

**Two North Main Street
Mifflintown, PA 17059**

**Comptroller of the Currency
Northern Pennsylvania Field Office
100 Hazle Street, Suite 202
Wilkes-Barre, PA 18702**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The overall rating is based on the following factors:

- The loan-to-deposit ratio meets standards for satisfactory performance;
- A substantial majority of the bank's loans are originated in its assessment areas (AAs);
- The bank has had no consumer complaints regarding its community reinvestment performance; and
- The bank's record of lending to borrowers of different incomes meets the standards for satisfactory performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Mifflintown (FNB) is a \$211 million intrastate community bank founded in 1864, with its main office and headquarters in Mifflintown, Pennsylvania. FNB is located in central Pennsylvania in Juniata County, the county seat, and is about thirty miles from the state capital, Harrisburg. FNB is a wholly owned subsidiary of the First Community Financial Corporation, a \$212 million holding company also headquartered in Mifflintown.

FNB operates ten full-service offices. Five of these offices are located in the non-MSA county of Juniata. In addition to the main office located in Mifflintown, in Juniata County the bank maintains four drive-up facilities and four ATMs. The main office branch is in the original Mifflintown building and does not have a drive-up facility or ATM. The bank operates five full service offices in Perry County, part of the Harrisburg-Lebanon-Carlisle MSA. In Perry County, FNB maintains five drive-up facilities and five ATMs; one of the ATMs is stand-alone. The bank maintains a website which offers information on branch hours of service and bank products. Online banking is also available. FNB does not have any legal or financial condition restrictions that would impede their ability to help meet the credit needs of their communities.

As of June 30, 2003, FNB reported \$131 million in net loans and \$185 million in total deposits. Net loans represented 62% of total assets. The bank's loan portfolio consists of residential real estate loans (67%), consumer loans (3%) and commercial loans (30%). The primary lending product is residential mortgage loans, which is a primary business focus of the bank. Net Tier 1 Capital was \$14 million as of that same date.

According to the June 30, 2002 FDIC/OTS Summary of Deposits Market Share Report, FNB was ranked 23rd out of 35 institutions in the Harrisburg-Lebanon-Carlisle (HLC) MSA with 0.54% of deposits. Manufacturers and Traders Trust Company was ranked first with 50 offices in the MSA and 15.93% of the deposits. Other financial institutions include Waypoint Bank, ranked second, with 25 offices and 13.99% of the deposits, and PNC Bank, N.A., ranked third with 30 offices and 10.37% of the deposits. In the non-MSA area of Juniata County, FNB ranked second out of the four banks located in this area, with 38.31% of the deposits. Juniata Valley Bank was ranked first with 4 offices and 43.72% of the deposits. In Perry County, FNB ranked fourth out of eight banks with 9.92% of the deposits. Bank of Landisburg was ranked first with 3 offices and 28.79% of the deposits.

The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) is from January 1, 1998 through December 31, 2002.

FNB's last Public Evaluation (PE) was dated September 21, 1998 and the overall CRA rating assigned was **Satisfactory**. Since the previous PE, FNB has opened three of its branches. No offices have been closed.

DESCRIPTION OF ASSESSMENT AREAS

FNB has two assessment areas (AAs). Both AAs meets regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies.

The first assessment area includes all of Juniata County, with a total of four block-numbering areas (BNAs). This area is a non-metropolitan statistical area (non-MSA). All four of the BNAs are middle-income. There are no low- or moderate-income tracts in the Non-MSA AA. The total population in the non-MSA AA was 20,625 according to the 1990 U.S. Census. The non-MSA AA's population is comprised of 5,797 families with the following family income distribution: 15% are low-income, 22% are moderate-income, 27% are middle-income, and 36% are upper-income. The median cost of housing in this non-MSA AA is \$51,155. The Updated Median Family Income for 2002 is \$41,100. The percentage of households below the poverty level is 10%.

In the second assessment area, FNB has identified six census tracts (CTs) in the Harrisburg-Lebanon-Carlisle MSA (MSA 3240). All of the CTs are located in western Perry County and cover 69% of the county's population. One CT is moderate-income (16.6%) and five CTs are middle-income (83.4%). There are no low-income tracts in the MSA AA. The total population in the MSA AA was 27,142 according to the 1990 U.S. Census. The MSA AA's population is comprised of 7,778 families with the following family income distribution: 21% are low-income, 24% are moderate-income, 30% are middle-income, and 25% are upper-income. The median cost of housing in this MSA AA is \$60,799. The Updated Median Family Income for 2002 is \$55,400. The percentage of households below the poverty level is 9%.

Both AAs are rural with small towns and villages throughout. The local area is primarily agricultural. Empire Kosher, Inc. is the local major employer and is located in Juniata County. Most residents travel outside the area to Lewistown and Harrisburg for work. As of August 31, 2003, the unemployment rate is 4.1% in both Juniata and Perry counties - below the state average of 5.0%. The unemployment rate in the HLC MSA was also below the state average at 3.5%.

In 2002, 150 lenders originated HMDA loans in the MSA AA, according to the HMDA Peer Mortgage Data. FNB was ranked second in the MSA AA with a market share of 7.12%. The Bank of Landisburg was ranked first with a market share of 21.4%. Of the 82 lenders that originated HMDA loans in the non-MSA AA, FNB was ranked first with a market share of 33.25%. Other competitors consisted of large national banks and mortgage companies, large regional banks, local community banks, and mortgage brokers with nationwide sources of funding.

A community contact was made with the economic director of a Juniata County agency that assists in attracting and maintaining businesses and industries in the county. The contact could not identify unmet credit needs, as financial institutions were perceived as being able to meet the various credit needs in the community.

Community development opportunities in the AAs are limited. Competition for these types of investments is very strong. During the evaluation period, FNB did not originate any community development loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period covered lending activity for home mortgages (purchase money, refinance and home improvement loans) reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 1998 through December 31, 2002. These loans were the only products reviewed due to the business focus of the bank.

Loan-to-Deposit Ratio

An analysis of FNB's loan-to-deposit ratios from the fourth quarter of 1997 through the fourth quarter of 2002 reveals that the bank meets the standards for satisfactory performance. The bank's average loan-to-deposit ratio for these 21 quarters was 75.56%, ranging from 71.18% to 79.37%. This ratio is higher than the average quarterly ratios of similarly situated banks in Pennsylvania with similar asset size. The custom peer average was 73.98%, with average ratios during the period ranging from 66% to 78%.

Lending in Assessment Area

A substantial majority of the home mortgage loans originated during the evaluation period were within the AAs. FNB exceeds the standards for satisfactory performance for lending in their AAs. An analysis of the HMDA data disclosed that 93% of the loans were originated in the AAs.

Also, 2002 market share statistics derived from HMDA loan originations show that FNB is the top mortgage lender in their AAs with a market share of 15.39%.

The following table is an analysis of the distribution of home mortgage loans inside and outside of the bank's AAs.

HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD 01/01/98 THROUGH 12/31/02				
	<i>INSIDE ASSESSMENT AREAS</i>		<i>OUTSIDE ASSESSMENT AREAS</i>	
	# Loans	\$(000)	# Loans	\$(000)
Home Purchase Loans	451	36,759	50	4,161
Home Refinance Loans	826	53,216	55	3,917
Home Improvement Loans	296	7,205	17	355
Multifamily	1	177	0	0
Total Loans	1,574	97,357	122	8,433
Percentage	93%	92%	7%	8%

Source: 1998-2002 FNB HMDA-LAR

Lending to Borrowers of Different Incomes

FNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance. We analyzed the distribution of lending for each assessment area separately and compared it to the demographics of that area.

The level of home mortgage loans originated to low-income borrowers in the MSA AA is less than the percentage of low-income families for the MSA AA. The level of home mortgages to moderate-income borrowers, however, is above the percentage of moderate-income families for the MSA AA. When considering the affordability of housing in the MSA AA, however, this performance is good. The median cost of housing in the MSA AA is \$61,000, based on 1990 U.S. Census data. The HUD updated median family income for 2002 is \$55,400. This means that a low-income person earns less than \$27,700 in the MSA AA. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the MSA AA. In 2002, of the 51 lenders to low-income individuals in the MSA AA, FNB was ranked third, with a market share of 7.07%.

The level of home mortgage loans originated to both low- and moderate-income borrowers in the non-MSA AA is less than the percentage of low- and moderate-income families for the non-MSA AA. When considering the affordability of housing in the non-MSA AA, however, this performance is also good. The median cost of housing in the non-MSA AA is \$51,000, based on

1990 U.S. Census data. The HUD updated median family income for 2002 is \$41,100. This means that a low-income person earns less than \$20,550 in the non-MSA AA. Based on these statistics, it would be difficult for a low- or moderate-income individual to purchase housing in the non-MSA AA. Also, in 2002, of the 14 lenders to low-income individuals in the non-MSA AA, FNB was ranked first with a market share of 34.15%.

The following tables are an analysis of the distribution of home mortgage loans by borrower income level.

Borrower Distribution of Home Mortgage Loans Mifflintown-MSA AA (Perry County) 01/01/98 THROUGH 12/31/02					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	58	13.3%	2,495	7.4%	21.03%
Moderate	133	30.5%	8,038	23.9%	24.22%
Middle	141	32.3%	10,829	32.2%	29.73%
Upper	104	23.9%	12,285	36.5%	25.02%
Total	436	100.00%	33,647	100.00%	100.00%

Source: 1998-2002 FNB HMDA-LAR

Borrower Distribution of Home Mortgage Loans Mifflintown-Non-MSA AA (Juniata County) 01/01/98 THROUGH 12/31/02					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	53	4.7%	1,492	2.3%	14.71%
Moderate	189	16.6%	7,854	12.3%	21.87%
Middle	402	35.3%	21,030	33.0%	26.94%
Upper	494	43.4%	33,334	52.4%	36.48%
Total	1,138	100.00%	63,710	100.00%	100.00%

Source: 1998-2002 FNB HMDA-LAR

Geographic Distribution of Loans

The geographic distribution of loans in the non-MSA AA (Juniata County) was not evaluated because all the BNAs in the area are middle-income and the analysis would not be meaningful. The geographic distribution of loans in the MSA AA meets the standards for satisfactory performance. There are no low-income geographies in the MSA AA. One of the six CTs in the MSA AA is moderate-income. The percentage of loans originated in the moderate-income geography is above the percentage of owner-occupied units in the MSA AA. Please refer to the

following table for the geographic distribution of home mortgage loans.

Geographic Distribution of Home Mortgage Loans Mifflintown-MSA (Perry County) 01/01/98 THROUGH 12/31/02					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	N/A	N/A	N/A	N/A	N/A
Moderate	49	11.2%	3,572	10.6%	9.5%
Middle	387	88.8%	30,075	89.38%	90.5%
Upper	N/A	N/A	N/A	N/A	N/A
Total	436	100.00%	33,647	100.00%	100.00%

Source: 1998-2002 LNB HMDA-LAR

Responses to Complaints

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

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.