



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 17, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Mifflintown
Charter Number: 4039

Two North Main Street
Mifflintown, PA 17059

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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The bank's overall rating is based upon the following factors:

- First National Bank of Mifflintown's (FNB) record of lending to borrowers of different incomes is reasonable when considering the bank's performance context and meets the standard for satisfactory performance;
- FNB's average loan-to-deposit ratio meets the standards for satisfactory performance;
- A substantial majority of FNB's home mortgage loans are originated within the bank's assessment area (AAs); and
- FNB's community development activities demonstrate adequate responsiveness to the community development needs of its AAs, especially when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AAs.

Scope of Examination

The First National Bank of Mifflintown (FNB) was evaluated under the Intermediate Small Bank examination procedures, which includes a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The lending test for FNB covers the bank's performance from January 1, 2006 through December 31, 2008. The evaluation period for the CD test covers the bank's performance from November 18, 2003 through March 16, 2009. CD loans, investments and services submitted by management were verified to ensure that they met the regulatory definition for community development.

FNB's primary loan product was determined to be home mortgage loans. To evaluate the bank's lending performance, we analyzed all of FNB's Home Mortgage Disclosure Act (HMDA) reported loans originated from January 1, 2006 through December 31, 2008. Our verification of the mortgage loan data found it to be accurate and reliable.

FNB's last Public Evaluation (PE) was dated November 17, 2003 and the overall CRA rating assigned was Satisfactory. Since the last PE, FNB has opened one additional

office in Bloomfield Borough on October 12, 2004.

Description of Institution

The First National Bank of Mifflintown (FNB) is an intrastate community bank founded in 1864, with its main office and headquarters in Mifflintown, Pennsylvania. As of March 16, 2009, FNB had total assets of \$325 million. FNB is a wholly owned subsidiary of the First Community Financial Corporation, which is a single-bank holding company and does not have any affiliates or subsidiaries.

FNB is a full-service bank offering a full line of retail and commercial banking services as well as internet banking and Asset Management services. FNB operates 11 full-service offices, including the main office located in Mifflintown, PA. Branch offices are located in Mifflintown, PA, Port Royal, PA, Thompsettown, PA, Elliotsburg, PA, Icnensburg, PA, New Bloomfield, PA, Loysville, PA, East Waterford, PA, and Shermans Dale, PA. Branch hours are offered Monday through Friday and Saturday mornings, with the exception of the main office. The main office is not open on Saturday mornings and does not offer drive-up facilities or an ATM. All other branch offices offer drive-in facilities and ATMs. Since the last Performance Evaluation, the bank has opened one additional office in the Bloomfield Borough on October 12, 2004.

As of December 31, 2008, FNB reported net loans of \$212 million, and tier-one capital of \$28 million. Net loans represented 62% of total assets. The banks loan portfolio consists of residential real estate of (67%), consumer loans (3%), commercial loans (30%), and agriculture loans (5%).

There were no legal, financial or other factors which would impede FNB's ability to help meet the credit needs of their communities.

Description of Assessment Area(s)

FNB has two assessment areas (AA's). Both AA's meet regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies.

FNB's first AA includes all of Juniata County, with a total of four census tracts (CT's). This area is in a non-metropolitan statistical area (non-MSA). FNB's second AA includes all of Perry County, with six census tracts. This area is part of the Harrisburg-Carlisle MSA (25420).

Juniata County AA

The Juniata County AA includes all of Juniata County which contains four CT's. All four CT's are middle-income (100%). There are no low- or moderate-income areas in the AA, however, Juniata County has been classified by the federal banking regulators as a distressed or underserved area.

The total population in the AA was 22,821 according to the 2000 U.S. Census. The unemployment rate for Juniata County, as of November 2008, was 6.1%. Major employers in Juniata County include Empire Kosher Poultry Inc, Armstrong Wood Products, Excel Home LLC (Manufacturing).

The following table presents the demographics of the Juniata AA:

Demographic Information for Full Scope Area: Mifflintown Juniata Co Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0.00	0.00	100.00	0.00	0.00
Population by Geography	22,821	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	6,671	0.00	0.00	100.00	0.00	0.00
Business by Geography	1,117	0.00	0.00	100.00	0.00	0.00
Farms by Geography	133	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	6,487	15.95	22.78	26.70	34.56	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,513	0.00	0.00	100.00	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2008 Households Below Poverty Level		41,475 51,500 9%	Median Housing Value Unemployment Rate (11/08 US Bureau of Labor & Statistics)		87,043 6.1%	

The median cost of housing in the Juniata County AA is \$87,043. The HUD adjusted median family income for 2008 is \$51,500. The percentage of households below poverty level is 9%. The AA's population is comprised of 6,487 families with the following family income distribution: 15.95% are low-income, 22.78% are moderate income, 26.70% are middle-income, and 34.56% are upper income families.

According to the 2008 FDIC Summary of Deposit Market Share for the Juniata County AA FNB ranked first out of three institutions with a 46.42% deposit market share and five branch locations. Juniata Valley Bank ranked second with five offices and 43.16% deposit market share.

According to the 2007, HMDA Peer Mortgage Data, 105 lenders originated HMDA loans in the Juniata County AA. FNB ranked first with 25.35% of the market share followed second by Juniata Valley Bank with 17.94%.

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.

Perry County AA

The Perry County AA includes all of Perry County and is part of the Harrisburg-Carlisle MSA (25420). Perry County contains six CTs. This AA has one moderate-income CT (16.67%) and five middle-income CT's (83.33%). There are no low- or upper-income tracts in this AA. The total population of the AA was 29,800 as of the 2000 U.S. Census. The unemployment rate for the MSA, as of November 2008, was 5.8%. The unemployment rate for Perry County, as of November 2008, is 5.8%, which is higher than the MSA, but comparable to the states 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 contains the demographic information for Harrisburg-Carlisle MSA AA:

Demographic Information for Full Scope Area: Mifflintown Harrisburg-Carlisle MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.00	16.67	83.33	0.00	0.00
Population by Geography	29,800	0.00	10.01	89.99	0.00	0.00
Owner-Occupied Housing by Geography	9,067	0.00	9.50	90.50	0.00	0.00
Business by Geography	1,675	0.00	4.00	96.00	0.00	0.00
Farms by Geography	205	0.00	9.27	90.73	0.00	0.00
Family Distribution by Income Level	8,493	19.99	22.90	29.11	28.00	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,643	0.00	11.83	88.17	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2008 Households Below Poverty Level		52,829 67,500 8%	Median Housing Value Unemployment Rate (US Dept. of Labor & Statistics)	93,995 5.8%		

The median cost of housing in the AA is \$93,995. The HUD adjusted median family income for 2008 is \$67,500. The percentage of households below the poverty level is 8%. The AA's population is comprised of 8,493 families with the following family income distribution: 19.99% are low-income, 22.90% are moderate-income, 29.11% are middle-income, and 28.00% are upper-income.

According to the 2008 FDIC Summary of Deposit Market Share Report for Harrisburg-Carlisle, PA MSA, FNB ranked 18 out of 30 institutions with a 1% 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.

FNB's operates offices in Perry County, which is part of the Harrisburg-Carlisle, PA MSA. In Perry County, FNB ranked third out of seven institutions, with a deposit market share of 16.46%. Bank of Landisburg ranked first with three offices and a deposit market share of 31.62%.

In 2007, 140 lenders originated HMDA loans in the AA, according to the HMDA Peer Mortgage Data. FNB ranked second in the AA with a market share of 11.65%. The Bank of Landisburg ranked first with a market share of 12.98%.

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.

Conclusions with Respect to Performance Criteria

LENDING TEST

FNB's performance under the lending test is satisfactory. FNB's loan-to-deposit ratio is reasonable. A substantial majority of FNB's primary loan products were originated within the bank's AAs. When considering the bank's overall performance context, FNB's record of lending to borrowers of different income is reasonable and meets the standard for satisfactory performance. Also, when considering the bank's overall performance context, FNB's record of lending to borrowers in the Perry County AA significantly exceeds the percentage of owner occupied housing within moderate CT's in this AA and is considered excellent. There were no low income CT's within this AA.

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AAs credit needs. The loan-to-deposit ratio meets the standards for satisfactory performance. The bank's quarterly average loan-to-deposit ratio over the twenty quarters since the last CRA examination was 76.74%. During the twenty-quarter period, the ratio ranged from a quarterly low of 71.40% to a quarterly high of 80.87%.

The bank's quarterly average loan-to-deposit ratio is near to those similarly sized financial institutions in the State of Pennsylvania. The quarterly average loan-to-deposit ratio for these similarly situated financial institutions over the same twenty quarters was 80.59%, and the ratio ranged from a quarterly low average of 56.75% to a quarterly average high of 102.10%.

Lending in Assessment Area

A substantial majority of FNB’s home mortgage loans originated during the evaluation period were within the bank’s AAs. As a result of this performance, FNB exceeds the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that 87% of loans originated were made in the bank’s AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, FNB’s record of lending to borrowers of different incomes is reasonable considering the bank’s performance context. This performance meets the standard for satisfactory performance.

Juniata County AA

The level of home purchase, home improvement, and home refinance loans made to low-income borrowers in the Juniata County AA is significantly lower than the ratio of low-income families in the AA. However, when considering the affordability of housing in this AA this performance is reasonable. The median cost of housing in the Juniata County AA is \$87,043 based on the 2000 U.S. Census data. The HUD updated median family income for 2008 is \$51,500. This means that a low-income person in the AA earns less than \$25,750.

The level of home purchase loans made to moderate-income borrowers exceeds the ratio of moderate-income families in the AA. The level of home improvement and home refinance loans made to moderate-income borrowers is near to the ratio of moderate-income families in the AA.

Table 2a - Borrower Distribution of Residential Real Estate Loans in [NON-MSA Juniata]								
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	15.95	8.97	22.78	23.72	26.70	28.21	34.56	39.10
Home Improvement	15.95	9.46	22.78	20.27	26.70	27.48	34.56	42.79
Home Refinance	15.95	9.58	22.78	19.58	26.70	31.67	34.56	39.17

Perry County AA

The level of home purchase mortgage loans originated to low-income borrowers in the Perry County AA is lower than to the ratio of low-income families in the AA. The level of home improvement loans originated to low-income borrowers is near to the ratio of low-income families in the AA. The level of home refinance loans originated to low-income borrowers is near to the ratio of low-income families. However, when considering the affordability of housing in this AA this performance is reasonable. The median cost of housing in the Perry County AA is \$93,995 based on the 2000 U.S. Census data. The HUD updated median family income for 2008 is \$67,500. This means that a low-income person in the AA earns less than \$33,750.

The level of home purchase, and home refinance loans made to moderate-income borrowers in the Perry County AA equals or exceeds the ratio of moderate-income families in the AA. The level of home improvement loans made to moderate-income borrowers in the Perry County AA is near the percentage of moderate-income borrowers in this AA. Overall, this performance is reasonable and considered satisfactory.

Table 2 - Borrower Distribution of Residential Real Estate Loans in [Harrisburg-Carlisle MSA-Perry]								
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	19.99	13.04	22.90	28.70	29.11	30.43	28.00	27.83
Home Improvement	19.99	17.72	22.90	28.48	29.11	26.58	28.00	27.22
Home Refinance	19.99	16.67	22.90	29.39	29.11	34.65	28.00	19.30

Geographic Distribution of Loans

The geographic distribution of loans in the Juniata County AA was not evaluated because all of the CT's in this AA are middle-income therefore any analysis would not be meaningful. The geographic distribution of loans in the Perry County AA exceeds the standard for satisfactory performance.

Juniata County AA

The geographic distribution of loans in the Juniata County AA was not evaluated because all of the census tracts are middle-income CT’s therefore this analysis would not be meaningful.

Perry County AA

There are no low-income or upper-income geographies in the AA. The percentage of FNB home mortgage loans originated in moderate-income geographies substantially exceeds the ratio of owner occupied housing that are located in these geographies. This performance is considered excellent.

Table 3 - Geographic Distribution of Residential Real Estate Loans in [Harrisburg-Carlisle MSA-Perry]								
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	9.50	12.93	90.50	87.07	0	0
Home Improvement	0	0	9.50	13.04	90.50	86.96	0	0
Home Refinance	0	0	9.50	10	90.50	90.00	0	0

Responses to Complaints

FNB did not receive any CRA related complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated satisfactory. FNB’s community development activities demonstrate adequate responsiveness to the community development needs of its AA’s. This performance is notable when considering the bank’s capacity, its performance context, and the availability of community development opportunities particularly within the bank’s underserved AA.

During the evaluation period, FNB provided a total of \$1.35 million in community development loans and qualified investments to help meet community development needs. Bank personnel also provided financial and technical expertise to three

community development organizations serving in the banks AA.

Community Development Loans

FNB originated 13 community development loans in its AA during our evaluation period totaling \$1.25 million. The 13 loans are addressed below:

In August 2004, FNB originated a community development loan in the amount of \$271 thousand. The proceeds of this loan were to provide additional working capital and provide a sprinkler system for an underserved county.

In June 2006, FNB originated a community development loan in the amount of \$330 thousand. The proceeds of this loan were to finance sewer construction for an underserved county.

In October 2008, FNB originated a community development loan in the amount of \$27 thousand. The proceeds of this loan were to purchase a truck used to improve public safety in an underserved county.

In August 2008, FNB originated a community development loan in the amount of \$173 thousand. The proceeds of this loan were to finance a fire truck used to benefit public safety for an underserved county.

In July 2007, FNB originated a community development loan in the amount of \$60 thousand. The proceeds of this loan were to purchase a fire engine used for public safety in an underserved county.

In April 2005, FNB originated a community development loan in the amount of \$60 thousand. The proceeds of this loan were to purchase a roof for a public safety facility in an underserved county.

In February 2005, FNB originated a community development loan in the amount of \$125 thousand. The proceeds of this loan were to provide construction and operating expenses for public service entity in an underserved county.

In April 2006, FNB originated a community development loan in the amount of \$40 thousand. The proceeds of this loan were to purchase a vehicle used for public safety in an underserved county.

In March 2004, FNB originated two community development loans in the amount of \$60 thousand and \$55 thousand. The proceeds of these loans were to provide working capital for a public health service entity in an underserved county.

In January 2006, FNB originated a community development loan in the amount of \$16 thousand. The proceeds of this loan were to purchase a vehicle used for public health in an underserved county.

In June 2006, FNB originated a community development loan in the amount of \$10 thousand. The proceeds of this loan were to provide a line of credit for a public health service entity in an underserved county.

In May 2008, FNB originated a community development loan in the amount of \$20 thousand. The proceeds of this loan were to purchase equipment used for public health service in an underserved county.

FNB made no grants or donations that qualified during the evaluation period.

Community Development Investments:

FNB made one investment for a certificate deposit with a minority-owned institution in the amount of \$99,000.

Community Development Services

During the evaluation period, three bank employees provided financial and technical expertise to three qualified community development organizations. The following details the community development services that were provided during the evaluation period:

A bank employee provides financial and technical expertise acting in the capacity of a financial planner and budgeting analyst for a local non-profit family support organization. The organization provides services for low- to moderate-income individuals and families.

A bank employee provides financial and technical expertise acting in the capacity of accountant and bookkeeper for a local organization. The organization provides rehabilitation, charity, disaster relief, elderly service, etc, for low- to moderate-income individuals.

A bank employee provides technical expertise acting in the position of committee member, which is involved with family selection for a local organization. The organization is center around providing affordable housing for low-income individuals and families.

Responsiveness to Community Development Needs

FNB's community development activities demonstrate adequate responsiveness to the community development needs of its AAs, especially when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AAs.

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.