



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas
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New York, New York 10036

Public Disclosure

December 31, 1996

Community Reinvestment Act Performance Evaluation

**NBO, National Bank
Charter Number: 14079
128 Lackawanna Avenue
Olyphant, Pennsylvania 18447**

**Office of the Comptroller of the Currency
Wilkes-Barre Duty Station
100 Hazle Street, Suite 202
Wilkes-Barre, Pennsylvania 18702**

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 CRA performance of **NBO, National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 31, 1996**. 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"**.

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

- ➔ The average loan to deposit ratio is reasonable at 64%
- ➔ The majority of the HMDA (Home Mortgage Disclosure Act) loans originated during the examination period are in the bank's assessment area.
- ➔ Loans originated in the assessment area are reasonably distributed among geographies and individuals of different income levels.
- ➔ Loans to small businesses constitute a substantial portion of total commercial loans.

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

Small Institution Assessment Criteria for NBO National Bank Performance Criteria			
	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		X	
Response to complaints	No complaints were received since the prior examination.		

Description of Institution

NBO National Bank (NBO) is the sole bank subsidiary of the Upper Valley Bank holding company, headquartered in Olyphant, Pennsylvania. NBO is a retail oriented bank operating three branches and five automated teller machines positioned in the counties of Lackawanna and Luzerne. NBO had total assets of \$255 million as of December 31, 1996. The loan portfolio comprises 57% of these assets, with residential mortgages accounting for 54% of gross loans. The balance of the loan portfolio consists of 31% commercial loans and 15% consumer loans. Competition is strong from other community banks and branches of several regional banks positioned in NBO's market.

There are no known legal or financial impediments to prevent NBO from meeting the credit needs of its community.

Description of the Assessment Area

NBO's assessment area meets the requirements of the CRA and does not arbitrarily exclude low- and moderate-income geographies. The assessment area consists of 89 census tracts within the Scranton-Wilkes-Barre-Hazleton MSA 7560. According to 1990 census data, a total population of 323,609 resides within NBO's assessment area.

The local economy is stable. Employment opportunities are provided by industries that include light manufacturing, health care, government, education, and retail concerns. Primary credit needs are centered in affordable housing, consumer, and small business lending.

The portion of MSA 7560 defined as the bank's assessment area includes all of Lackawanna County and a reasonable part of Luzerne County. There are two low-income census tracts, eight moderate-income, sixty-six middle-income, and thirteen upper-income tracts within this assessment area. The HUD MSA Median Family income for this area is \$35,900. Nearly 35% of the families residing in the assessment area are low- and moderate-income families. Owner occupied units account for 65% of the housing types, 27% are rental units, and nearly 8% are vacant. The median housing value is \$59,600.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

NBO has made a firm commitment to help satisfy its community credit needs. This assessment is based on a reasonable loan-to-deposit ratio, a majority of loans originated within the assessment area, the reasonable amount of loans made to low-

and moderate- income families, and the substantial distribution of commercial loans made to small businesses.

Loan to Deposit Ratio

NBO’s average loan to deposit ratio since our last examination on November 14, 1994 is 64%. This ratio indicates that a reasonable volume of loans were originated by the bank. Although the ratio is somewhat less than both the national peer bank average of 69% and the local competition’s average of 73%, it is steadily improving.

Despite having a loan to deposit ratio lower than its peer group, NBO actively supports community development lending programs. This is evidenced by NBO’s support of the Scranton Neighborhood Housing’s Affordable Loan Program. Since the last examination, NBO originated 39 loans totaling \$148 thousand dollars to participants of this program.

Lending in NBO’s Assessment Area

Table 1 indicates that approximately 85% of the HMDA reportable loans originated by NBO during the examination period are within its assessment area, reflecting a reasonable response to community housing credit needs. HMDA reportable loans were used to determine the geographic distribution of loan originations since census tract locations for these loans are retained by the bank on the HMDA loan application register.

<p align="center">Table 1 HMDA Reportable Loan Originations (Amount in \$000s)</p>				
	# of Loans	%	\$ Amount	%
Inside Assessment Area	257	85	14,261	84
Outside Assessment Area	46	15	2,619	16
Total	303	100	16,880	100

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

The record of lending to borrowers of different income levels was determined for HMDA reportable loans. Loan originations during the examination period for borrowers of different income levels were obtained from the 1995 and 1996 HMDA loan application registers. Small business lending was determined from June 30, 1995-96 call report data.

Table 2 indicates that the distribution of lending to different borrower income categories is reasonably proportionate to the income levels of families residing in NBO's assessment area. Since the last CRA examination, NBO originated 19% by number of its home purchase, home improvement, and home refinance loans to low- and moderate- income borrowers within its assessment area. NBO's performance is reasonable considering the demographics of the population residing in close proximity to its branch locations. Although 1994 census data indicates that 36% of the families within NBO's assessment area are low- and moderate- income families, few census tracts contiguous to NBO's branches are low- to moderate- income tracts. The majority of the population residing near NBO's branch locations are middle-income families.

Income Category	# of Loans	%	\$ Amount	%	% of Families within Assessment Area
Low	22	5	572	3	18
Moderate	58	14	1,665	7	18
Middle	98	23	3,625	16	24
Upper	250	58	16,546	74	40
Total	428	100	22,408	100	100

NBO is responsive to the credit needs of small businesses in its community. A small business loan is defined as a loan that is originated in an amount less than \$1 million dollars. As of June 30, 1996, \$28 million, representing 75% of the total commercial loans outstanding, were defined as small business loans. This level is an increase from June 30, 1995 when \$18 million, representing 70% of total commercial loans, were outstanding to small businesses.

Geographic Distribution of Loans

NBO's assessment area is comprised of diverse census tract characteristics with the majority of tracts being middle-income census tracts. The geographic distribution of NBO's loans throughout these tracts is reasonable.

Table 3 indicates that 6% by number and 5% by dollar amount of all HMDA loans originated during the examination period were within low- and moderate-income census tracts. This is reasonably proportionate to the number of low- and moderate-income census tracts (11%) within NBO's assessment area. The table also reveals that NBO's loan originations within middle- and upper- income census tracts is proportionate to the demographic profile of these areas.

Table 3 Distribution of HMDA Loans within the Assessment Area by Census Tract Characteristic (\$000s)						
Census Tract Characteristic	# of Loans	%	\$ Amount	%	Census Tracts within Assessment Area	
Low	6	2	459	2	2	2%
Moderate	15	4	495	3	8	9%
Middle	264	76	13,663	72	66	74%
Upper	62	18	4,478	23	13	15%
Total	347	100	19,095	100	89	100%

Compliance with Anti-discrimination Laws

A fair lending review was performed concurrently with this CRA examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. We did not identify any practices intended to discourage or impede potential borrowers from applying for credit.