



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 25, 2012

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

Philadelphia Field Office
1150 Northbrook Drive, Suite 303
Trevose, PA 19053

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.

- 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 loan to deposit ratio is reasonable based on institution's size, financial condition, and the assessment area's credit needs;
- FNB originated a substantial majority of its loans to borrowers within its assessment areas;
- A substantial majority of FNB's home mortgage loans are originated within the bank's assessment area (AAs);
- The bank's community development (CD) performance in the combined AA demonstrates adequate responsiveness to the community development needs through CD loans, investments, and services; and
- No evidence of discriminatory or other illegal credit practices has been identified in the supervisory process.

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, 2009 through September 30, 2011. The evaluation period for the CD test covers the bank's performance from March 17, 2009 through January 25, 2012. 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, 2009 through September 30, 2011. Our verification of the mortgage loan data found it to be accurate and reliable.

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 January 25, 2012, FNB had total assets of \$387 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 located in Juniata County are in Mifflintown, PA, Port Royal, PA, Thompsontown, PA, Elliotsburg, PA, Icneseburg, PA, New Bloomfield, PA, Loysville, PA, East Waterford, PA, and Shermans Dale, PA. Branch hours are 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. There is also a Loan Production, Investments and Trust Office located in Lewistown, PA. This office is open daily with no extended or weekend hours.

Since the last Performance Evaluation, dated March 17, 2009, FNB has not opened or closed any office locations.

As of December 31, 2011, FNB reported net loans of \$248 million, and tier-one capital of \$34 million. Net loans represented 64% of total assets. The bank's loan portfolio consists primarily of residential real estate which accounts for 64% of total loans. Commercial loans account for 24%, and agriculture loans are approximately 4%. The remaining is split between consumer loans, municipal loans, and other small balance loan categories.

There are no legal, financial or other factors impeding FNB's ability to help meet the credit needs in its AAs. FNB received a "Satisfactory" rating on its last performance evaluation, dated March 17, 2009.

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 an 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 October 2011, was 6.3%. Major employers in Juniata County include Empire Kosher Poultry, Inc., Probuilt Homes, and Armstrong Wood Products.

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	1,460	0.00	0.00	100.00	0.00	0.00
Farms by Geography	150	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 2011 Households Below Poverty Level		41,475 54,100 9%	Median Housing Value Unemployment Rate (10/11 US Bureau of Labor & Statistics)		87,043 6.30%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI

The median cost of housing in the Juniata County AA is \$87,043. The HUD adjusted median family income for 2011 is \$54,100. 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 2011 FDIC Summary of Deposit Market Share for the Juniata County AA, FNB ranked first out of three institutions with a 49.36% deposit market share and five branch locations. Juniata Valley Bank ranked second with five offices and 42.41% deposit market share.

According to the 2010, HMDA Peer Mortgage Data, 89 lenders originated HMDA loans in the Juniata County AA. FNB ranked first with 32.67% of the market share followed second by Juniata Valley Bank with 11.9%.

A community contact was made with The Coalition of HOPES, which was formed to help residents in the area obtain basic needs, with an emphasis on housing. The Coalition of Hopes was formed to create a single point of contact which includes the Juniata Human Services organization, Shelter Services, PA Career Link and United Way of Mifflin and Juniata County. 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. In addition, the continued need for members of the community to obtain financial education to help with budgeting and obtaining homeownership was noted. 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 Perry County as of November, 2011 was 7.8%, which is comparable to the state unemployment rate of 7.6%. Major employers in the AA include Excel Home, LCC (Manufacturing), 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	2,268	0.00	5.78	94.22	0.00	0.00
Farms by Geography	267	0.00	10.11	89.89	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 2011 Households Below Poverty Level		52,829 71,000 8%	Median Housing Value Unemployment Rate (10/11 US Bureau of Labor & Statistics)	93,995 6.80%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI

The median cost of housing in the AA is \$93,995. The HUD adjusted median family income for 2011 is \$71,000. 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 2011 FDIC Summary of Deposit Market Share Report for Harrisburg-Carlisle, PA MSA, FNB ranked 18 out of 27 institutions with 5 offices within the AA and a 1.39% deposit market share. Other institutions include PNC Bank with 29 offices within the AA and 13.33% market share, and Manufactures and Traders Co with 28 offices within the AA and 12.27% deposit market share.

FNB operates offices in Perry County, which is part of the Harrisburg-Carlisle, PA MSA. In Perry County, FNB ranked second out of seven institutions, with a deposit market share of 18.18%. Bank of Landisburg ranked first with three offices and a deposit market share of 32.05%.

In 2010, 138 lenders originated HMDA loans in the Juniata County AA, according to the HMDA Peer Mortgage Data. FNB ranked second in the AA with a market share of 8.95%. The Bank of Landisburg ranked first with a market share of 9.86%.

A community contact was made with the local housing authority. The organization specializes in the acquisition and transition into affordable homes for low- to moderate-income individuals and families. In addition, they provide help for low- or moderate-income families to gain employment. The organization also helps teach families to budget so that they can become self sufficient and able to provide for themselves, and their families. The contact could not identify unmet credit needs in the community. The contact's perception of financial institutions was positive and aside from continuing to help low and moderate income families obtain credit, they did not note any additional services that banks could do to assist the local community. The contact mentioned that financial institutions have been helpful by actively participating with many of the organizations that make up the organization and have helped to make housing affordable for low- to moderate-income individuals and families.

Conclusions with Respect to Performance Tests

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. 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 bank's quarterly average loan-to-deposit ratio over the past twelve quarters since the last CRA examination was 74.12%. During the twelve-quarter period, the ratio ranged from a quarterly low of 72.02% to a quarterly high of 77.44%.

The bank's quarterly average loan-to-deposit ratio is near those similarly situated financial institutions in the State of Pennsylvania. The quarterly average loan-to-deposit ratio for these similarly situated financial institutions over the same twelve quarters was 80.25%, and the ratio ranged from a quarterly low average of 74.29% to a quarterly average high of 86.84%.

Lending in Assessment Area

A substantial majority of FNB's home mortgage loans originated during the evaluation period were within the bank's AA. 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 90% 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. 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 2011 is \$54,100. This means that a low-income household in the AA earns less than \$27,050. Based on this factor, and after considering the affordability of housing in this AA, this performance is reasonable.

The level of home purchase loans made to moderate-income borrowers is lower than but near the ratio of moderate-income families in the AA. The level of home refinance loans made to moderate income borrowers is near the ratio of moderate income families in the AA and the level of home improvement loans made to moderate-income borrowers exceeds 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	7.94	22.78	19.84	26.70	26.98	34.56	45.24
Home Improvement	15.95	8.61	22.78	24.40	26.70	27.27	34.56	39.71
Home Refinance	15.95	5.95	22.78	21.19	26.70	26.77	34.56	46.10

Perry County AA

The level of home purchase mortgage loans originated to low-income borrowers in the Perry County AA is near the ratio of low-income families in the AA. The level of home improvement loans originated to low-income borrowers is lower than the ratio of low-income families. The level of home refinance loans originated to low-income borrowers equals or exceeds 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 Perry County AA is \$93,995 based on the 2000 U.S. Census data. The HUD updated median family income for 2008 is \$71,000. This means that a low-income person in the AA earns less than \$35,500.

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	19.81	22.90	30.19	29.11	30.19	28.00	19.81
Home Improvement	19.99	16.00	22.90	23.20	29.11	36.00	28.00	24.80
Home Refinance	19.99	21.56	22.90	26.61	29.11	30.28	28.00	21.56

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 reflects excellent dispersion and 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	13.09	90.50	86.92	0	0
Home Improvement	0	0	9.50	15.82	90.50	84.80	0	0
Home Refinance	0	0	9.50	12.7	90.50	87.83	0	0

Responses to Complaints

During this evaluation period there were no complaints related to the bank's performance in meeting AA credit needs.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Satisfactory. The bank's community development (CD) performance in the combined AA demonstrates adequate responsiveness to the community development needs through CD loans, investments, and services.

Number and Amount of Community Development Loans

The bank originated 49 loans in their AA totaling \$3.026 million during the evaluation period. Community development loans were distributed among various projects including economic development initiatives and affordable housing financing.

In the Juniata County Non-MSA AA, the bank originated 25 loans totaling \$1.86 million. In the Harrisburg/Carlisle MSA AA, the bank originated 24 loans totaling \$1.16 million.

Number and Amount of Qualified Investments

The bank made 50 qualified investments and contributions totaling \$131 thousand during this evaluation period that provide direct benefit to the AAs. Within the total number of qualified investments and contributions, one investment totaling \$99,000 to a certified Community Development Entity was from the prior evaluation period, but is renewed annually. Of the \$131 thousand, \$13,892 in contributions would provide a direct benefit to the wider geographic area of central Pennsylvania, including the bank's AA. The contributions were made to organizations that provide community services and basic necessities for low- and moderate-income individuals and geographies. In addition, contributions were made to organizations offering economic and business development opportunities for small businesses and small farm. There were also several donations made in underserved geographies for purposes of establishing savings programs and providing financial education curricula targeted to low and moderate income individuals.

There were a total of 30 contributions totaling \$5,960 provided during the evaluation period that would directly benefit the Juniata County Non-MSA.

In the Harrisburg/Carlisle MSA, the bank made a total of ten contributions and donations totaling \$11,974 during the evaluation period.

Community Development Services

During the evaluation period, in the Harrisburg/Carlisle MSA – Perry County and Juniata County non-MSA, five officers and employees provided technical services and support to five qualified community development organizations. One of the employees provides technical expertise to an organization targeted to providing basic needs for low-and moderate income families within the banks entire assessment area of the Harrisburg/Carlisle MSA and Juniata County Non-MSA.

Harrisburg/Carlisle MSA

Bank management and employees provided financial and technical expertise to two separate and qualified community development organizations. Their community development services focused on supporting and expanding small business and agricultural development as well as a social services agency that provides education and support for child abuse prevention. These services benefit Perry County.

Juniata County Non-MSA

Two members of bank management provide financial and technical expertise to the two community development organizations that provide assistance directed towards meeting basic needs for low and moderate income individuals.

Responsiveness to Community Development Needs

The bank's performance under the Community Development Test in the Perry County, Harrisburg Carlisle MSA and Community Development Test in the Juniata County, Non-MSA are consistent with the bank's satisfactory performance under the community development test.

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.