



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 07, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First FS & LA of Bucks County
Charter Number: 702457

118 Mill Street
Bristol, PA 19007-4807

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.

The major factors that support this rating include:

- A substantial majority of First Federal Savings and Loan Association of Bucks County's primary loan products were originated in the bank's assessment area.
- The distribution of loans represents a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The distribution of loans reflects an excellent dispersion among moderate-income census tracts in the assessment area. The assessment area does not have any low-income census tracts.
- The loan-to-deposit ratio is reasonable given the thrift's size, financial condition, lending-related activities, and assessment area needs.
- The responsiveness to community development needs and opportunities in its assessment area is adequate.

Scope of Examination

First Federal Savings and Loan Association of Bucks County (FFSLA) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the thrift'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 FFSLA covers its performance from January 1, 2009 through December 31, 2011. The scope of our lending test review did not include small farm or multi-family loans due to the negligible volume of originations. The evaluation period for the CD test is from March 17, 2009 through May 7, 2012. CD investments and services submitted by management were verified to ensure that they met the regulatory definition for community development.

FFSLA's primary loan products are home mortgage, consumer and small business loans. The thrift reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The reported HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate home mortgage performance. The thrift selected to have consumer loans, specifically home equity loans and home equity lines of credit which were not HMDA reportable, included in the evaluation. To evaluate the consumer loans, 60 loans of each product were randomly selected for analysis. The loans

sampled were made from January 1, 2009 through December 31, 2011. To evaluate small business lending performance, we randomly selected a sample of 60 Community Reinvestment Act (CRA) small business loans originated from January 1, 2009 through December 31, 2011.

Table 1 depicts the maximum income amount for each income range in the Bucks County AA. The income ranges below were used during our analysis to determine the borrower's income level for each sampled consumer loan.

Income Category	Maximum Income in for Income Range				2010 Median Family Income (MFI)
	Low	Moderate	Middle	Upper	
% Range of MFI	<50%	50%-<80%	80%-<120%	≥120%	
Bucks County AA	\$39,049	\$62,479	\$93,719	\$93,720	\$78,100

Description of Institution

Table 2 depicts FFSLA's balance sheet composition as of 12/31/2011.

Balance Sheet Component	Balance Sheet \$ Amount (000)'s	% of Total Assets
Loans	432,555	65.2%
1-4 Residential	326,385	49.2%
Non-Residential Mortgages	73,443	11.1%
Investments	196,074	29.6%
US Agencies	85,924	13.0%
Mortgage Backed Securities	54,670	8.5%
Municipals	36,448	5.5%
Total Assets	663,219	100.0%
Liabilities & Capital (LC)		% of Total LC
Deposits & Escrow	531,453	80.0%
Borrowings	58,000	8.7%
Total Liabilities	593,181	89.4%
Retained Earnings	69,351	10.5%
Total Capital	70,038	10.6%

FFSLA is a federally chartered mutual thrift institution with total assets of \$663 million, as of December 31, 2011. The thrift was established in 1885 and is headquartered in Bristol, Pennsylvania. FFSLA is a full service bank offering a wide range of commercial and personal banking products within the Bucks County market. The thrift offers a variety of commercial, consumer and real estate loans across eleven branches to suit their customer's needs. No branches were closed during the evaluation period; however, FFSLA has opened 2 branches since the last CRA exam; both in Yardley, PA. The Southampton office was renovated and moved within the same shopping center.

All branches are located in moderate-, middle- or upper-income census tracts (CTs). Table 3 represents the branch distribution by CT income category.

Table 3: Distribution of Branch Offices in the Assessment Area		
Census Tract Income Category	Branch Distribution	
	% of Branches	% of Deposits
Low	0.0%	0.0%
Moderate	9.1%	7.1%
Middle	36.4%	51.4%
Upper	54.5%	41.5%
Total #	11	\$506,040

FFSLA has an affiliation with First Bucks Corporation; a 100 percent wholly owned subsidiary which holds investment assets of FFSLA. The subsidiary is located in Wilmington, DE and was not considered in this evaluation as it does not affect the bank’s capacity for community reinvestment.

The thrift serves Bucks County, Pennsylvania. FFSLA has designated one AA, which is the entire 136 CTs located in Bucks County. The AA has not changed since the last CRA exam.

As of December 31, 2011, net loans and leases totaled \$432.5 million or 65.2 percent of total assets. Total deposits were \$527 million. Tier one capital was \$69 million. The loan portfolio is broken down as follows:

Table 4: Loan Portfolio Summary by Loan Product December 31, 2011 (Uniform Thrift Performance Report)		
Loan Category	Amount (\$000)	Percent of Total Loans
Residential Mortgage	343,362	79.4%
Nonresidential Mortgage	73,443	17.0%
Commercial Nonmortgage	9,167	2.1%
Other	6,583	1.5%
Total	432,555	100%

The thrift is committed to assisting local residents and businesses in achieving their financial goals. FFSLA’s goal is to donate approximately five percent of their net income annually to local charities serving the community.

There were no financial or legal impediments to hinder FFSLA’s ability to help meet the community’s credit needs. FFSLA was rated “Satisfactory” at its last CRA Performance Evaluation dated March 16, 2009.

Description of Assessment Area(S)

FFSLA has one AA: Bucks County AA, which is located in Southeastern Pennsylvania and is within the Philadelphia, PA Metropolitan Division (MD), #37964. This MD is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area

(MSA), #37980. FFSLA designated all 136 CTs in Bucks County as the AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income (LMI) areas.

Tables 5 and 6 summarize the AA’s demographics:

Table 5: Demographic Information for the Bucks County AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	136	0.0%	8.1%	50.0%	41.9%
Population by Geography	597,635	0.0%	6.5%	45.8%	47.7%
Owner-Occupied Housing by Geography	169,177	0.0%	4.1%	44.8%	51.1%
Businesses by Geography	55,834	0.0%	6.4%	42.6%	51.0%
Farms by Geography	1,489	0.0%	3.4%	42.9%	53.7%
Family Distribution by Income Level	161,840	0.0%	5.9%	45.6%	48.5%
Household Distribution by Income Level	218,773	0.0%	6.8%	47.2%	46.0%
Census Median Family Income (MFI)		\$71,899	Median Housing Value		\$169,756
HUD-Adjusted MFI: 2011		\$78,100	Families Below the Poverty Level		4.8%
			Unemployment Rate		7.2%*

Source: 2000 U.S. Census Data

* Bucks County April 2012 unemployment rate, not seasonally adjusted

Table 6: Additional Demographic Information for the Bucks County AA								
Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	0.0%	0	0.0%	0.0%	0.0%	0.0%	0	0
Moderate	5.9%	11	6.9%	4.1%	16.1%	5.3%	120,671	32
Middle	45.6%	68	47.3%	44.8%	55.6%	45.0%	138,479	27
Upper	48.5%	57	45.8%	51.1%	28.3%	49.7%	209,481	13
Total #	161,840	136	225,498	169,177	49,548	193,446	169,756	21

Source: 2000 U.S. Census Data

The current local economy for the AA is characterized as stable. The AA fared better than national averages during the recent economic crisis. Home prices and unemployment rates were not affected as drastically as national averages. Economic activity in the area is relatively diverse with services, health care, retail trade and manufacturing being the primary economic activities. The current unemployment rate

for the AA of 7.2 percent is lower than the national average of 8.1 percent and the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA of 8.4 percent.

Bucks County is largely comprised of small businesses. Due to the large volume and diversity of small businesses, the county was not as adversely affected by the current economic crisis as other locations throughout Pennsylvania. Top business sectors are:

Health Care, Retail Services, Manufacturing, Accommodation/Food Services and Waste Management and Remediation Services. The average household income is increasing and was \$76 thousand in 2009; above the state average of \$50 thousand. The top five employers in the county, as of the third quarter of 2011, were the following: St. Mary Medical Center, Central Bucks School District, Bucks County, Healthcare Services and Northtec LLC.

FFSLA is located in a highly competitive market. The bank's competitors include branches of large regional institutions, several local community banks, and several mortgage/finance companies.

In assessing the thrift's performance, we contacted a local non-profit organization. The contact indicated that there is a need for affordable housing and basic financial counseling. Individuals need counseling on how to improve their credit scores and create budgets, which will allow them to obtain financing for homeownership. The contact stated there are multiple non-profit organizations in the community who would benefit from donations of funds and volunteers. Additionally, the contact stated many community institutions have been great supporters of their organization and FFSLA, in particular, has been active.

Conclusions with Respect to Performance Tests

LENDING TEST

FFSLA's performance under the lending test is Satisfactory. FFSLA's loan-to-deposit ratio is reasonable. A substantial majority of FFSLA's primary loan products are within the thrift's AA. FFSLA was found to have reasonable penetration among borrowers of different income levels and businesses of different sizes. FFSLA's geographical distribution of loans was excellent. The analysis took into account that the AA does not contain any low-income CTs.

Additionally, we noted the thrift participates in the national program "Ways to Work", which provides automobile loans to low- and moderate-income individuals. The program is designed to provide a means of transportation to low- and moderate-income individuals to get to work. Under the program, the maximum loan amount is \$6 thousand and the borrower is required to take financial literacy classes. The institution granted 118 loans totaling \$413 thousand during the evaluation period. This was not included as a primary loan product; however, it is being acknowledged and adds positive support to FFSLA's performance under the lending test.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

FFLSA's net loan-to-deposit ratio is reasonable given the thrift's size, financial condition, lending-related activities, and AA credit needs. The thrift's net loan-to-deposit ratio averaged 84.3 percent over the last 12 quarters since the last CRA examination. This

ratio ranged from a quarterly low of 80.9 percent to a quarterly high of 87.0 percent during the period.

The average net loan-to-deposit ratio for the peer group of similar size, location and product offerings over the same 12 quarters was 86.8 percent. The peer ratio ranged from a quarterly low of 80.6 percent to a quarterly high of 94.2 percent during the period. The bank’s loan deposit ratio compares favorably to peer.

Lending in Assessment Area

A substantial majority of FFLSA’s primary loan products were originated within the thrift’s AA. Tables 7 and 8 detail the lending within the AA by number and dollar amount of loans. Eighty-two percent of the aggregated primary loan products by number were made within the AA.

Table 7: Concentration of Thrift Loans Originated In and Outside of the Assessment Area						
Loan Type	% Inside Area		% Outside Area		Total	
	#	\$(000)	#	\$(000)	#	\$(000)
Home Loans (HMDA)	826	124,572	117	58,443	1003	183,015
Small Business	39	19,059	21	11,501	60	30,560
Consumer (Non-HMDA)	111	7,606	9	642	12	8,248

Source: HMDA data and sampled consumer and business loan data 1/1/2009-9/30/2011

Table 8: Concentration of Thrift Loans Originated In and Outside of the Reviewed Assessment Areas						
	Home Loans (HMDA)		Consumer (Non-HMDA)		Small Business	
	% of Loans	% of \$ Volume	% of Loans	% of \$ Volume	% of Loans	% of \$ Volume
Within Bucks AA	82.4%	68.1%	91.7%	92.2%	65.0%	62.4%
Outside Area	17.6%	31.9%	8.3%	7.8%	35.0%	37.6%
Total # / \$	1003	\$183,015	120	\$8,248	60	\$30,560

Source: HMDA data and sampled consumer and business loan data 1/1/2009-9/30/2011

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

The distribution of loans for the thrift’s AA reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels.

The percent of HMDA loans made to moderate-income borrowers exceeds the percent of moderate-income families in the AA; however, the percent of HMDA loans to low-income borrowers is lower than the ratio of low-income families in the AA. Lending

opportunities to this group are limited given the median home prices in the AA of \$169,756. Low-income borrowers would have difficulty affording a home in the AA, as their income would be less than \$39,049.

Table 9 shows the distribution of HMDA loans among borrowers of different income levels for the period of January 1, 2009 through December 31, 2011, as compared to the percent of families in each income category and aggregate peers.

Borrower Income Category	% of Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	5.2%	1.5%	11.9%	5.2%
Moderate	19.1%	10.2%	15.1%	17.8%
Middle	26.5%	18.7%	22.9%	25.5%
Upper	47.4%	64.6%	50.1%	49.1%
N/A	1.8%	5.0%	0.0%	2.3%
Total # and \$	826	\$124,572	161,840	556

Source: HMDA data 1/1/2009-9/30/2011 and HUD-updated 2000 U.S. Census data

Consumer Loans

The distribution of consumer loans to borrowers reflects reasonable penetration among borrowers of different income levels.

The percent of non-HMDA reportable home equity loans to low-income borrowers exceeds the levels of low-income families in the AA; while, the percent of non-HMDA reportable home equity loans for moderate-income borrowers is near the ratio of moderate-income families in the AA. Non-HMDA reportable home equity lines of credit are below the percent of moderate-income families in the AA and significantly lower than the ratio of low-income families in the AA. The home equity loan is the more conservative product as it is fixed rate; thus, potentially more attractive to a low- or moderate-income borrower. The home equity lines of credit are variable rate with rate ceilings of 18 percent. If rates increased, the higher rate could make it difficult for a borrower to service the debt.

Table 10 shows the distribution of consumer loans across different income levels.

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 Equity Loans Non-HMDA reportable	11.9%	13.3%	15.1%	13.3%	22.9%	26.7%	50.1%	46.7%
Home Equity Lines of Credit Non-HMDA reportable	11.9%	6.7%	15.1%	11.7%	22.9%	26.6%	50.1%	55.0%

Source: Sample data of 60 loans per product for 2009-12/31/2011 and HUD-updated 2000 U.S. Census data

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Of our sample, 82 percent of the loans were made to businesses with revenue less than \$1 million. This is considered reasonable compared to demographic data that shows 77 percent of area businesses are considered small businesses. Small businesses are businesses with gross annual revenue of \$1 million or less.

Our sample included three loans to businesses with revenue averaging approximately \$19 million, which skewed results of the percent of loans in the AA by dollar amount. Without these three outliers, the percent of loans in the AA by dollar to businesses with revenue less than \$1 million would be approximately 46 percent.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.0%	6.2%	16.8%	100%
% of Bank Loans in AA by #	81.7%	15.0%	3.3%	100%
% of Bank Loans in AA by \$	17.7%	82.2%	0.1%	100%

Source: 60 small business loans sampled for 2009-12/31/2011

Geographic Distribution of Loans

The distribution of loans reflects excellent dispersion throughout the thrift's AA. The bank's AA contains no low-income CTs. Therefore, we did not evaluate lending in these areas.

Home Loans

The bank's geographic distribution of HMDA loans in FFSLA's AA reflects excellent dispersion throughout the moderate-income CTs.

The percent of HMDA loans in moderate-income CTs significantly exceeds the percent of owner-occupied housing in these geographies as well as aggregate peer data.

Table 12 details the thrift's performance as compared to the percentage of owner-occupied housing units in each CTs income level and aggregate peer.

Table 12: Distribution of Thrift HMDA Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	0.0%	0.0%	0.0%	0.0%
Moderate	9.5%	5.9%	4.1%	9.3%
Middle	42.6%	26.9%	44.8%	41.2%
Upper	47.9%	67.2%	51.1%	49.5%
Total # and \$	826	\$124,572	169,177	556

Source: HMDA data 1/1/2009-9/30/2011 and HUD-updated 2000 U.S. Census data

Consumer Loans

FSLA's geographic distribution of consumer loans in the AA reflects excellent dispersion throughout the moderate-income CTs.

The percent of lending in the moderate-income geographies significantly exceeds the percent of owner-occupied housing in these geographies.

Table 13 details the bank's performance as compared to the percentage of owner-occupied housing units in each CTs income level.

Table 13: Geographic Distribution of Consumer Loans in Bucks County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Equity Loans Non-HMDA reportable	N/A	N/A	4.1%	12.3%	44.8%	43.9%	51.1%	43.8%
Home Equity Lines of Credit	N/A	N/A	4.1%	12.5%	44.8%	26.8%	51.1%	60.7%

Source: Sample data of 60 loans per product for 2009-12/31/2011 and HUD-updated 2000 U.S. Census data

Business Loans

The thrift's geographic distribution of business loans reflects excellent dispersion throughout the moderate-income CTs. The percent of small business loans to moderate-income geographies significantly exceeds the percent of businesses in the AA.

Table 14 represents the thrift's performance as compared to the percentage of businesses in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	N/A	N/A	6.4%	10.3%	42.6%	48.7%	51.0%	41.0%

Source: 60 small business loans sampled from 2009-12/31/2011

Responses to Complaints

FFSLA did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Satisfactory. The thrift’s level of CD activities is considered adequate given its size and capacity, considering the CD needs and opportunities of its AA. During the evaluation period, the thrift demonstrated adequate responsiveness to community development needs of its AA. FFSLA did not purchase any CD qualified investments during the evaluation period. In addition, all qualifying CD loans originated during the evaluation period were included in the bank’s CRA small business loan data. FFSLA demonstrated adequate responsiveness through bank personnel providing 443 hours of financial expertise to three organizations, identified in Table CDS3-2 on the next page of this Report, serving the AA. Additionally, the thrift’s CRA Officer participates in a roundtable group, which demonstrates the thrift’s effort to gain knowledge of CRA opportunities in their AA. This is also discussed on the next page of this Report. The employees’ involvement helps to offset the lack of CD investments and loans.

Number and Amount of Community Development Loans

FFSLA did not originate any CD loans during our evaluation period. There were loans originated during the evaluation period that met the criteria for a CD loan; however, the loans were included in the bank’s CRA small business loan data. Specifically during the evaluation period, the thrift originated 10 loans totaling \$182 thousand to Community

Lenders Community Development Corporation (CLCDC). CLCDC is a non-profit comprised of locally based financial institutions. The group’s mission is to provide long-term financing to community based organizations whose principal purpose is to provide community development services including affordable housing for low- and moderate-income individuals.

Organization	Instrument or Activity	Amount
NA	No Qualifying Investments	

Total Investments		\$0
NA	Qualifying CD Loans are incorporated in small business sample.	\$0
Total Loans, Contributions & Sponsorships		\$0

Number and Amount of Qualified Investments

During the evaluation period, FFSLA did not make any qualifying investments. However, FFSLA made 53 qualifying grants and donations totaling \$168 thousand to 18 organizations that help to provide economic development, affordable housing, and educational and community services to low- and moderate-income individuals and families.

Extent to Which the Bank Provides Community Development Services

FFSLA’s service delivery systems are accessible to geographies and individuals of different income levels in the AA. FFSLA provides banking services with 11 full service branches. Branches are located in moderate-, middle-, and upper-income geographies. There is only one branch located in the moderate-income geographies; however, three branches located in middle- and upper-income CTs are adjacent to five additional moderate-income CTs. There are no low-income geographies in the AA.

FFSLA offers free personal and business checking accounts with no minimum balances, free online banking, unlimited bill pay and a free check card. They also offer a statement savings account with a low minimum to earn interest.

During the evaluation period, three bank employees provided financial expertise and leadership services to three different qualifying CD organizations serving the AA. The table below shows the organization, the capacity of service and total hours committed. In total, three employees dedicated 443 hours to the organizations.

Table CDS3-2 – Qualified Community Development Services			
Organization	Instrument or Activity	Employees	Hours
United Way	Chair of Campaign Committee/Finance Committee/ Chair of Self Sufficiency Panel	2	210
YWCA-Bucks County	Chair of Finance Committee	1	23
Bucks County Opportunity Council	Board of Directors	1	210
Total Staff & Hours committed to QCD Service		3	443

In addition, FFSLA’s CRA Officer participates in a CRA Roundtable Group, comprised

of local financial institutions. This group was formed in January 2011 and meets quarterly. The primary purpose of the CRA Roundtable is to discuss CRA related opportunities in the surrounding communities. The mission statement of the group is to gain CRA knowledge through the exchange of ideas between CRA officers from similar community banks with the objectives of improving member bank CRA programs and performance.

Responsiveness to Community Development Needs

FFSLA's CD activities as a whole, demonstrate adequate responsiveness to the needs and opportunities in the AA. Identified needs include affordable housing, financial literacy, fair housing education, and small business development and support. In total, the bank has given over \$168 thousand in grants and donations that benefit low- and moderate-income individuals and families. Officers and employees provided technical assistance to three different qualified organizations that provide needed community services to the low- and moderate-income population in the AA and work to improve economic development.

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.