



PUBLIC DISCLOSURE

May 11, 2015

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

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 supporting this rating include:

- The loan-to-deposit (LTD) ratio is reasonable based on the institution's size, financial condition, and the assessment area's credit needs.
- A substantial majority of home mortgage loans originated during the evaluation period were within the assessment area.
- The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels in the assessment area.
- The distribution of home mortgage loans reflects poor dispersion to geographies of different income levels throughout the assessment area, however there are some restrictive factors limiting the bank's ability to lend significantly in the only moderate-income geography in the AA .
- The level of responsiveness to community development needs of the assessment area through community development lending, qualified investments, and community development services is adequate.

Scope of Evaluation

We evaluated The First National Bank of Mifflintown (FNBM) using the Intermediate Small Bank (ISB) evaluation procedures, which include 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 areas (AAs) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

Changes affecting the data used to evaluate bank performance under the Community Reinvestment Act (CRA) have been phased in over several years as federal banking agencies analyzed and adapted to the most recent census data. With the 2010 Census, the U.S. Census Bureau revised its approach to collecting most of the population and demographic data used in the CRA performance evaluation process. The Office of Management and Budget ("OMB") revised Metropolitan Area (MA) and census tract geographic definitions and boundaries in February 2013. CRA performance evaluations are impacted by the 2010 census data changes beginning January 1, 2012, and the MA changes beginning January 1, 2014. Thus, FNBM's CRA performance evaluation would require three separate analyses for the periods: January 1, 2010 through December 31, 2011; January 1, 2012 through December 31, 2013; and finally, January 1, 2014 through December 31, 2014.

We completed this evaluation using a Limited Data Analysis. The evaluation period for the lending test is from January 1, 2012 through December 31, 2013. The OCC considers this approach reasonable for FNBM based on its activity. Bank management concurred with the exclusion of additional data. The evaluation period for the CD test is from the start date of the previous CRA evaluation (January 25, 2012) to the start date of the current CRA evaluation (May 11, 2015).

The evaluation of FNBM's record of lending within its AAs was performed at the bank level. In order to perform the evaluation we measured and analyzed FNBM's record of originating residential real estate loans within its combined AAs over the evaluation period since these loans represent FNBM's primary loan products.

We analyzed residential real estate loan data collected and reported over the period by FNBM in accordance with Home Mortgage Disclosure Act (HMDA) requirements. FNBM's residential real estate loan data includes loans originated for the purposes of home purchase, home improvement and home mortgage refinance. We tested the HMDA-Loan Application Register (LAR) data prior to this evaluation and found it to be reliable for purposes of our analysis. We did not analyze small business or small farm loans, as their inclusion has minimal impact on the overall evaluation due to the low volume of originations.

Description of Institution

FNBM is an intrastate community bank headquartered in Mifflintown, PA. As of December 31, 2014, FNBM had total assets of \$452 million. FNBM 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.

FNBM is a full-service bank offering a full line of retail and commercial banking services as well as internet banking and Asset Management services. FNBM operates 12 full-service offices, including the main office located in Mifflintown, PA. Branch offices located in Perry County, PA include Ickesburg, Bloomfield, New Bloomfield, Newport, Loysville, West Perry and Shermans Dale. Branch offices located in Juniata County, PA include Mifflintown, Fermanaugh, Tuscarora Valley, Delaware and East Waterford. 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. ATMs are also offered in three retail locations in Ickesburg, McAlisterville and Thompsontown. There is 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 January 25, 2012, FNBM opened a new branch in Newport, PA during the first quarter of 2012 and has not closed any locations during the evaluation period. The Newport Branch provides services to census tracts (CTs) 301, 302.01 and 302.02, which are considered rural areas in Perry County.

As of December 31, 2014, FNBM reported net loans of \$290 million, and tier-one capital of \$42 million. Net loans represented 64% of total assets. The bank's loan portfolio consists primarily of residential real estate which accounts for 47% of total loans. Commercial loans account for approximately 18%, and agriculture loans are approximately 2%. The remaining is split between consumer loans, municipal loans, and other small balance loan categories.

There are no legal, financial or other factors impeding FNBM's ability to help meet the credit needs in its AAs. FNBM received a "Satisfactory" rating at the previous CRA evaluation, dated January 25, 2012.

Description of Assessment Area(s)

FNBM has identified two AAs. The AAs are situated immediately adjacent to one another within central Pennsylvania. All of FNBM's branch offices and ATMs are located within its AAs. Both AAs meet regulatory requirements and do not arbitrarily exclude low-or moderate-income geographies.

FNBM's first AA includes all of Juniata County, with a total of five CTs. This area is in a non-metropolitan statistical area (non-MSA). FNBM's second AA includes all of Perry County, with ten CTs. This area is part of the Harrisburg-Carlisle MSA (25420).

Juniata County Non-MSA AA

FNBM's Pennsylvania non-MSA AA is predominantly rural and agricultural in nature. The Pennsylvania non-MSA AA consists of selected whole contiguous geographies located within the central Pennsylvania county of Juniata. FNBM's Pennsylvania non-MSA AA geographies total five. Of the five geographies that comprise FNBM's Pennsylvania non-MSA AA, four of the five, or 80%, are classified as middle-income. One of the five, or 20%, is classified as moderate-income. Of the five Pennsylvania non-MSA AA geographies, none are classified as low- or upper-income.

The five CTs that comprise Juniata County are each designated as underserved nonmetropolitan geographies. The US Department of Agriculture designates these geographies by considering the population size, density, and dispersion to be sufficiently small, thin and distant from a population center that financing of fixed costs for essential community needs is likely to be difficult.

The total population in the AA was 24,636 according to the 2010 U.S. Census. The unemployment rate for Juniata County, as of March 2015, was 5.9% (not seasonally adjusted) which is comparable to the state unemployment rate of 5.3% (seasonally adjusted). Major employers in Juniata County include Hogan Transportation, Gordon Trucking, and Armstrong Wood Products.

The following table presents the demographics of the Juniata County AA:

Demographic Information for Full Scope Area: Juniata County Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.00	20.00	80.00	0.00	0.00
Population by Geography	24,636	0.00	8.22	91.78	0.00	0.00
Owner-Occupied Housing by Geography	6,957	0.00	8.08	91.92	0.00	0.00
Business by Geography	1,384	0.00	7.01	92.99	0.00	0.00
Farms by Geography	166	0.00	15.06	84.94	0.00	0.00
Family Distribution by Income Level	6,732	16.90	20.89	24.27	37.94	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,544	0.00	12.19	87.81	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		52,966 55,300 10%	Median Housing Value Unemployment Rate (03/15 US Bureau of Labor & Statistics)		124,174 5.9%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2013 HUD updated MFI

The median cost of housing in the Juniata County AA is \$124,174. The HUD adjusted median family income for 2013 is \$55,300. The percentage of households below poverty level is 10%. The AA’s population is comprised of 6,732 families with the following family income distribution: 16.90% are low-income, 20.89% are moderate income, 24.27% are middle-income, and 37.94% are upper income families.

These AA demographic factors impact loan demand for residential mortgage loans. Particularly affected is loan demand from low-and moderate-income borrowers impacted by issues concerning housing availability and affordability.

According to the 2014 FDIC Summary of Deposit Market Share for the Juniata County AA, FNBM ranked first out of three institutions with a 52.78% deposit market share and five branch locations. The Juniata Valley Bank ranked second with five offices and a 39.18% deposit market share.

According to the 2012 HMDA Peer Mortgage Data, 70 lenders originated HMDA loans in the Juniata County AA. FNBM ranked first with 32.81% of the market share followed second by First National Bank of PA with 17.27%.

Examiners contacted the Director of a local federally and state funded program for low income families of preschool children in Juniata County. The Director indicated that Juniata County has lost a significant number of employers over recent years as a result of the economic downturn. The contact identified area credit needs as affordable

housing for low- and moderate-income individuals and financial literacy programs to help educate low- and moderate-income families. The contact also identified a small demand for business loans which has declined with the local economy. The contact overall felt that local financial institutions have been meeting the credit needs of the community despite the overwhelmingly strong competition among smaller community banks in the region.

Harrisburg-Carlisle, PA - MSA 25420 (Perry County) AA

The Perry County AA includes all of Perry County and is part of the Harrisburg-Carlisle MSA (25420). Perry County contains ten CTs. This AA has three moderate-income CTs (30.00%) and seven middle-income CT's (70.00%). There are no low-or upper-income CTs in this AA. The total population of the AA was 45,969 as of the 2010 U.S. Census. The unemployment rate for Perry County as of March 2015 was 4.5% (not seasonally adjusted), which is lower than the state unemployment rate of 5.3% (seasonally adjusted). Major employers in the AA include Commonwealth of Pennsylvania, H E Rohrer Inc. (Transportation and Warehousing), West Perry School District and Specialty Bakers, LLC.

The following contains the demographic information for Harrisburg-Carlisle MSA AA:

Demographic Information for Full Scope Area: Harrisburg-Carlisle MSA - Perry County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	10	0.00	30.00	70.00	0.00	0.00
Population by Geography	45,969	0.00	27.63	72.37	0.00	0.00
Owner-Occupied Housing by Geography	14,520	0.00	25.26	74.74	0.00	0.00
Business by Geography	3,016	0.00	26.46	73.54	0.00	0.00
Farms by Geography	338	0.00	23.37	76.63	0.00	0.00
Family Distribution by Income Level	13,039	21.64	22.23	26.29	29.85	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	5,719	0.00	31.19	68.81	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level	69,389 70,800 8%		Median Housing Value Unemployment Rate (03/15 US Bureau of Labor & Statistics)	143,802 4.5%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2013 HUD updated MFI

The median cost of housing in the AA is \$143,802. The HUD adjusted median family income for 2013 is \$69,389. The percentage of households below the poverty level is 8%. The AA's population is comprised of 13,039 families with the following family income distribution: 21.64% are low-income, 22.23% are moderate-income, 26.29% are middle-income, and 29.85% are upper-income.

According to the 2014 FDIC Summary of Deposit Market Share Report for Harrisburg-Carlisle, PA MSA, FNBM ranked 17 out of 25 institutions with seven offices within the AA and a 1.20% deposit market share. Other institutions include PNC Bank with 25 offices within the AA and 15.09% market share, and Manufactures and Traders Trust Company with 31 offices within the AA and 17.32% deposit market share.

In Perry County, FNBM ranked second out of seven institutions, with seven offices and a deposit market share of 23.08%. The Bank of Landisburg ranked first with three offices and a deposit market share of 32.77%.

In 2012, 151 lenders originated HMDA loans in the Harrisburg-Carlisle MSA - Perry County AA, according to the HMDA Peer Mortgage Data. FNBM ranked third in the AA with a market share of 6.46%. The Bank of Landisburg ranked first with a market share of 13.39%.

To gain more knowledge of the AA's credit needs, we contacted a local housing authority located in Perry County. The organization specializes in the acquisition and redevelopment of affordable housing projects targeted to low- and moderate-income individuals and families. Additionally, the organization helps low- and moderate-income families secure employment. The representative stated that local financial institutions are generally meeting the area's housing needs by both directly lending to borrowers and by participating in tax-credit housing projects.

Conclusions with Respect to Performance Tests

LENDING TEST

FNBM's level of lending activity is reasonable as supported by its LTD ratio, which compares favorably to the LTD ratio of a custom peer group of banks. FNBM originates a substantial majority of its residential real estate loans within its combined AAs. FNBM's record of lending demonstrates reasonable penetration among borrowers of different income levels. FNBM's record of lending also demonstrates reasonable dispersion among AA geographies.

When arriving at the Lending Test conclusions, more weight was placed on FNBM's performance in its Pennsylvania non-MSA AA than in its Harrisburg-Carlisle MSA AA, since this is the AA in which FNBM derives the majority of its deposits and originates the majority of its loans.

Loan-to-Deposit Ratio

FNBM's net LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's average net LTD ratio was calculated using quarterly Call Report data filed with the FDIC since the 2012 CRA evaluation. FNBM's LTD ratio averaged 70.00% for the thirteen consecutive quarters beginning December 31, 2011 through December 31, 2014. The bank's LTD ratio ranged from a quarterly low of

65.22% (March 2013) to a quarterly high of 76.17% (December 2014) over this period. FNBM's net LTD ratio has been consistently increasing since early 2013. The bank's LTD ratio at December 31, 2014 was 76.17%, which represents the highest it has been since March 2009.

The bank's net LTD ratio compares favorably to financial institutions with similar asset sizes and operating profiles. The average net LTD ratio for nine state and federally chartered national banks and thrifts with asset sizes between \$200 million and \$500 million, operating within the bank's AA or contiguous counties, was 70.80% during these same thirteen quarters.

Lending in Assessment Area

A substantial majority of FNBM's home mortgage loans originated during the evaluation period were inside the AA. As a result of this performance, FNBM exceeds the standard for satisfactory performance for lending in the AA. An analysis of the bank's HMDA data disclosed that 88.93% of the total number and 82.83% of the total dollar amount of home mortgage loans were originated within the AA. During the evaluation period, the bank originated the following number of home mortgage loans within the bank's AA: 81.94% home purchase, 89.98% home refinance, and 94.79% home improvement.

The following table shows the percentage of lending in and out of FNBM's AA.

Lending in FNBM's AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	186	81.94	41	18.06	227	22,998	75.36	7,518	24.64	\$30,516
Home Refinance	395	89.98	44	10.02	439	39,794	85.54	6,726	14.46	\$46,520
Home Improvement	182	94.79	10	5.21	192	11,800	90.65	1,217	9.35	\$13,017
Total	763	88.93	95	11.07	858	74,592	82.83	15,461	17.17	\$90,053

Source: 2012 and 2013 FNBM HMDA-LARs and 2010 U.S. Census data

Lending to Borrowers of Different Incomes

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels in the AA, considering the bank's performance context.

Juniata County – Non-MSA

Home Mortgage Loans

The distribution of home mortgage loans in the Juniata County AA reflects reasonable penetration among borrowers of different income levels. The analysis of FNBM's record of originating home mortgages among AA borrowers of different income levels

considers affordability of home ownership for low-income AA families. The average median AA housing value is \$124,174 and a low-income family earns less than \$27,650 annually. Additionally, 10% of AA households are below the poverty level and considered very low-income. Lack of home ownership affordability limits opportunities for home loan lending to low-income AA families. The bank's record of lending to moderate-income borrowers in the AA received more weight than the bank's record of lending to low-income borrowers in the AA due to the lack of home affordability of low-income borrowers. Additionally, the bank's record of originating home refinance loans to moderate-income borrowers received the most weight because home refinance loans comprise 50% of total home loans originated in the AA during the evaluation period.

Home Purchase Loans

The bank originated 9.62% of home purchase loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 16.90%. The bank originated 24.04% of home purchase loans to moderate-income borrowers in the AA, which is higher than the percentage of AA families classified as moderate-income at 20.89%.

Home Improvement Loans

The bank originated 10.31% of home improvement loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 16.90%. The bank originated 30.93% of home improvement loans to moderate-income borrowers in the AA, which is significantly higher than the percentage of AA families classified as moderate-income at 20.89%.

Home Refinance Loans

The bank originated 8.21% of home refinance loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 16.90%. The bank originated 16.43% of home refinance loans to moderate-income borrowers in the AA, which is lower than the percentage of AA families classified as moderate-income at 20.89%.

The following table shows the distribution of FNBM's home loan originations and purchases to borrowers of different income levels compared to the percent of families in each income category in the AA.

Borrower Distribution of Residential Real Estate Loans in the Juniata County AA								
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	16.90	9.62	20.89	24.04	24.27	25.00	37.94	41.35
Home Improvement	16.90	10.31	20.89	30.93	24.27	22.68	37.94	36.08
Home Refinance	16.90	8.21	20.89	16.43	24.27	23.19	37.94	52.17

Source: 2012 and 2013 FNBM HMDA-LARs and 2010 U.S. Census data

Harrisburg-Carlisle, PA - MSA 25420 (Perry County)

Home Mortgage Loans

The distribution of home mortgage loans in the Harrisburg-Carlisle AA reflects reasonable penetration among borrowers of different income levels. The analysis of FNBM's record of originating home mortgages among AA borrowers of different income levels considers affordability of home ownership for low-income AA families. The average median AA housing value is \$143,802 and a low-income family earns less than \$35,400 annually. Additionally, 8% of AA households are below the poverty level and considered very low-income. Lack of home ownership affordability limits opportunities for home loan lending to low-income AA families. Therefore, the bank's record of lending to moderate-income borrowers in the AA received more weight in this analysis than the bank's record of lending to low-income borrowers.

Home Purchase Loans

The bank originated 19.48% of home purchase loans to low-income borrowers in the AA, which is lower than the percentage of AA families classified as low-income at 21.63%. The bank originated 40.26% of home purchase loans to moderate-income borrowers in the AA, which is significantly higher than the percentage of AA families classified as moderate-income at 22.23%.

Home Improvement Loans

The bank originated 20.99% of home improvement loans to low-income borrowers in the AA, which is lower than the percentage of AA families classified as low-income at 21.64%. The bank originated 30.86% of home improvement loans to moderate-income borrowers in the AA, which is significantly higher than the percentage of AA families classified as moderate-income at 22.23%.

Home Refinance Loans

The bank originated 13.74% of home refinance loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 21.64%. The bank originated 29.67% of home refinance loans to moderate-

income borrowers in the AA, which is significantly higher than the percentage of AA families classified as moderate-income at 22.23%.

The following table shows the distribution of FNBM's home loan originations and purchases to borrowers of different income levels compared to the percent of families in each income category in the AA.

Borrower Distribution of Residential Real Estate Loans in the Harrisburg-Carlisle AA								
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	21.64	19.48	22.23	40.26	26.29	18.18	29.85	22.08
Home Improvement	21.64	20.99	22.23	30.86	26.29	25.93	29.85	22.22
Home Refinance	21.64	13.74	22.23	29.67	26.29	29.67	29.85	26.92

Source: 2012 and 2013 FNBM HMDA-LARs and 2010 U.S. Census data

Geographic Distribution of Loans

The distribution of home mortgage loans reflects poor dispersion to geographies of different income levels throughout the bank's AA. The bank's record of lending in the Juniata County Non-MSA AA received more weight than the bank's record of lending in the Harrisburg-Carlisle MSA-Perry County AA for this analysis, since the bank originated a majority, or approximately 54.65% of home mortgage loans in the Non-MSA AA during the evaluation period.

Juniata County - Non-MSA

Home Mortgage Loans

The distribution of home mortgage loans reflects poor dispersion to geographies of different income levels throughout the AA. The bank's originations of home purchase loans slightly exceed the percentage of owner-occupied housing units in moderate-income geographies. However, the bank's improvement and refinance home mortgage loans in moderate-income geographies were lower than the percentage of owner-occupied housing units in moderate-income geographies. There are no low- or upper-income geographies located in this AA. Therefore, the geographic distribution of home loans in the AA is based entirely upon the bank's record of lending in moderate-income geographies. The AA consists of predominantly rural farmland with interspersed small villages.

In light of the bank's poor performance in this analysis, there are some restrictive factors limiting the bank's ability to lend significantly in the only moderate-income geography in the AA. The bank only operates one branch in the moderate-income CT in the AA. Additionally, the following adverse demographic information results in limited opportunities to grant home loans in moderate-income CTs in the AA:

- Only 562 or 8.08% of all owner-occupied housing units in the AA are in moderate-income CTs.
- Approximately half of the 1,369 housing units in moderate-income CTs are rental-occupied or vacant. Approximately 104 or 7.55% of total housing units in moderate-income CTs are renter occupied and 489 or 35.69% are vacant.
- Approximately 238 or 33.10% of total households in moderate-income CTs are low-income.
- Approximately 131 or 18.22% of total households in moderate-income CTs are below the poverty level.
- Approximately 206 or 36.98% of total families in moderate-income CTs are low-income.

Home Purchase Loans

The bank originated 8.33% of home purchase loans in moderate-income geographies in the AA, which is slightly higher than the percentage of owner-occupied housing units in moderate-income geographies at 8.08%.

Home Improvement Loans

The bank originated 5.05% of home improvement loans in moderate-income geographies in the AA, which is lower than the percentage of owner-occupied housing units in moderate-income geographies at 8.08%.

Home Refinance Loans

The bank originated 7.62% of home refinance loans in moderate-income geographies in the AA, which is lower than the percentage of owner-occupied housing units in moderate-income geographies at 8.08%.

The following table shows FNBM's distribution of home loan originations and purchases to geographies of different income levels compared to the percentage of owner-occupied housing units in each income level geography in the AA.

Geographic Distribution of Residential Real Estate Loans in the Juniata County AA								
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	0.00	0.00	8.08	8.33	91.92	91.67	0.00	0.00
Home Improvement	0.00	0.00	8.08	5.05	91.92	94.95	0.00	0.00
Home Refinance	0.00	0.00	8.08	7.62	91.92	92.38	0.00	0.00

Source: 2012 and 2013 FNBM HMDA-LARs and 2010 U.S. Census data

Harrisburg-Carlisle, PA - MSA 25420 (Perry County)

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable dispersion to geographies of different income levels throughout the AA.

The bank does not have any branches in moderate-income CTs in the AA. There are also no low- or upper-income geographies located in this AA. Additionally, the following adverse demographic information results in limited opportunities to grant home loans in moderate-income CTs:

- Only 3,668 or 25.26% of all owner-occupied housing units in the AA are in moderate-income CTs.
- Only 3,668 or 59.51% of total housing units in moderate-income CTs are owner-occupied. Approximately 1,489 or 24.17% of total housing units in moderate-income CTs are renter occupied and 1,005 or 16.32% are vacant.
- Approximately 1,378 or 26.72% of total households in moderate-income CTs are low-income.
- Approximately 654 or 12.68% of total households in moderate-income CTs are below the poverty level.
- Approximately 989 or 28.09% of total families in moderate-income CTs are low-income.

Home Purchase Loans

The bank originated 20.78% of home purchase loans in moderate-income geographies in the AA, which is lower than the percentage of owner-occupied housing units in moderate-income geographies at 25.26%.

Home Improvement Loans

The bank originated 21.69% of home improvement loans in moderate-income geographies in the AA, which is lower than the percentage of owner-occupied housing units in moderate-income geographies at 25.26%.

Home Refinance Loans

The bank originated 26.49% of home refinance loans in moderate-income geographies in the AA, which is higher than the percentage of owner-occupied housing units in moderate-income geographies at 25.26%.

The following table shows FNBM’s distribution of home loan originations and purchases to geographies of different income levels compared to the percentage of owner-occupied housing units in each income level geography in the AA.

Geographic Distribution of Residential Real Estate Loans in the Harrisburg-Carlisle AA								
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	0.00	0.00	25.26	20.78	74.74	79.22	0.00	0.00
Home Improvement	0.00	0.00	25.26	21.69	74.74	78.31	0.00	0.00
Home Refinance	0.00	0.00	25.26	26.49	74.74	73.51	0.00	0.00

Source: 2012 and 2013 FNBM HMDA-LARs and 2010 U.S. Census data

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 (CD) Test is rated satisfactory. The bank’s level of responsiveness to CD needs of the AA through CD lending, qualified investments, and CD services is adequate. The qualified investment analysis considered AA needs and opportunities identified by community organizations. CD investment needs include affordable housing.

Juniata County Non-MSA AA

Number and Amount of Community Development Loans

During the evaluation period, FNBM made 68 qualifying CD loans totaling \$3.95 million in the Juniata County AA to various low- and moderate-income individuals for the purchase or refinance of a primary residence. Additionally, FNBM originated another

commercial CD loan for \$155 thousand to a local nonprofit organization for upgrades to the facility. This facility consists of a senior center which provides a safe and social environment for local elderly citizens and programs for low- and moderate-income individuals.

Number and Amount of Qualified Investments

FNBM made one qualifying contribution within the Juniata County AA totaling \$99,000 to a certified Community Development Entity. This investment was from the prior evaluation period, but is renewed annually. The bank received full credit for the outstanding balance of \$99,000. This investment is with the United Bank of Philadelphia. It is a minority owned institution which is committed to serving communities that have lacked sufficient access to banking services.

FNBM also funded four donations during the evaluation period totaling \$1,716 to organizations that provide services to low- and moderate-income individuals in the AA.

Extent to Which the Bank Provides Community Development Services

FNBM provides convenient, accessible, and free or reasonably priced products and services through its branch network to meet the financial needs of its AA. The bank offers the following free products to its customers: Value Checking, Student Checking (for individuals high school and college age) and Senior Value Checking accounts (for individuals of at least 50 years of age), both accounts have no monthly maintenance fees or daily balance requirements, and no annual fee. The bank operates one branch in the AA in a moderate-income CT, providing individuals residing in this geography with convenient accessibility to its retail branch operations.

During the evaluation period, two bank employees provided CD services to two local organizations. These services focused on fundraising and providing shelter to homeless individuals, as well as other community services targeted to low- and moderate-income individuals. All of the CD services in which FNBM employees participated targeted identified community needs.

An FNBM Officer served on the Board of Directors as a committee member for a local organization which benefits individuals in need of shelter due to homeless and/or abusive situations. The program is targeted to low- and moderate-income individuals.

An FNBM Officer provides accounting and bookkeeping services and assisted in fundraising opportunities for a local nonprofit organization. This organization contributes to low- and moderate-income individuals.

Responsiveness to Community Development Needs

FNBM's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in the Juniata County AA. Identified needs include affordable housing

(versus rentals) and community services targeted to low- and moderate-income individuals. FNBM met these needs by:

- Originating 69 qualifying CD loans for \$4.1 million; representing 9.14% of Tier One Capital plus the Allowance for Loan and Lease Losses (ALLL).
- Making one qualified investment totaling \$99,000 and providing \$1,716 in donations that benefit low- and moderate-income families. Total investments and donations made in the AA represent less than 1% of Tier One Capital plus the ALLL.
- Two employees provided technical assistance to two CD organizations within the AA that benefit low- and moderate-income individuals.

Harrisburg-Carlisle, PA - MSA 25420 (Perry County)

Number and Amount of Community Development Loans

During the evaluation period, FNBM made 41 qualifying CD loans totaling \$3.59 million in the Harrisburg-Carlisle MSA AA to various low- and moderate-income individuals for the purchase or refinance of a primary residence.

Number and Amount of Qualified Investments

During the evaluation period, FNBM made no qualifying investments in the Harrisburg-Carlisle AA.

FNBM made eight qualifying donations and contributions totaling \$2,475 to community organizations that provide services to low- and moderate-income individuals in the AA. These organizations specifically provide workforce development, food bank and literacy and educational awareness programs to low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

The bank offers the same products and services throughout each of its branch locations. Therefore, the same low cost and free products and services described in the Juniata County CD Services section of this PE are also applicable to the Harrisburg-Carlisle AA. There are no low-income geographies in the AA, however the bank's one branch is located within reasonable proximity to the AA's one moderate-income CT.

During the evaluation period, two bank employees provided CD services to two local organizations. These services focused on community services targeted to low- and moderate-income AA individuals. These services specifically provide housing solutions to disabled veterans, homeless and educational services, and workforce development to low- and moderate-income individuals. Both of the CD services in which FNBM employees' participated targeted identified community needs. Additionally, the bank

operates a learning branch in a local high school within the AA that provides financial literacy training programs and employment opportunities to students from low-income homes.

An FNBM Officer served as a Board member for a local agency that promotes socialization and provides vocational training, development and employment opportunities to low- and moderate-income persons.

An FNBM Officer provides accounting and bookkeeping services and assisted in fundraising opportunities for a local nonprofit organization. This organization contributes to low- and moderate-income individuals.

Responsiveness to Community Development Needs

FNBM's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in the Harrisburg-Carlisle AA. Identified needs include affordable housing and community services targeted to low- and moderate-income individuals. FNBM met these needs by:

- Originating 41CD loans for \$3.59 million; representing 8.01% of Tier One Capital plus the ALLL.
- Making eight qualified donations for \$2,900. Total investments and donations made in the AA represent less than 1% of Tier One Capital plus the ALLL.
- Two employees provided technical assistance to two CD organizations that benefit low- and moderate-income individuals.
- The bank operates a learning branch within a local high school, which provides financial literacy skills and employment opportunities to students from low-income homes.

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.