



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 06, 2011

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

1st National Community Bank  
Charter Number: 21319

16924 St. Clair Avenue  
St. Clair Township, OH 43920-5796

Office of the Comptroller of the Currency

ADC-CLEVELAND (8320) Field Office  
200 Public Square Suite 1610  
Cleveland, OH. 44114-2301

**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.



## Scope of Examination

The evaluation time period is October 12, 2004 (the date of the previous evaluation) through September 6, 2011. We analyzed home mortgage disclosure act [HMDA] loan activity from January 1, 2008 through December 31, 2010. All home mortgage loans were considered in our analysis. Analysis of business activity is based on an initial sample of 72 business loans. Using bank-generated loan origination reports for the evaluation period, we determined the bank's primary products are home mortgage and business loans. These products are representative of the bank's business strategy since the last examination.

First National Community Bank of East Liverpool (1NCB) has three assessment areas (AAs) for evaluation purposes. The primary AA consists of Columbiana County Ohio, a non-Metropolitan Statistical Area (MSA). We selected this area for a full-scope review, as it contains the bank's headquarters, the majority of its branch locations, and a substantial majority of its lending and deposit activity.

The bank's second AA includes four census tracts in northern Hancock County and its branch in New Cumberland, WV. These tracts comprise a portion of the Weirton-Steubenville WV-OH Multistate MSA. We selected this area for a full-scope review as it is located in a different state than the bank's primary assessment area.

The bank's third AA includes three census tracts in western Beaver County and its branch in Midland, PA. These tracts comprise a portion of the Pittsburgh PA MSA. We selected this area for a full-scope review as it is located in a different state than the bank's primary assessment area.

Information from members of the local community was also considered in our analysis. We contacted four community organizations involved in affordable housing and economic development initiatives to determine the community's credit and non-credit needs. Refer to the **Description of Assessment Area** section of this document for additional details

## Description of Institution

1NCB is a full service community bank headquartered in East Liverpool servicing portions of Columbiana, Hancock and Beaver Counties as noted above. As of December 31, 2010, the bank reported total assets of \$121 million. The bank is a wholly owned subsidiary of Tri-State 1<sup>st</sup> Banc, Inc, a one-bank holding company.

The holding company also operates three affiliates. Gateminder Corporation provides automated teller machine (ATM) sales and service, ATM transaction processing & settlement, and technical service of machines to 1NCB and other businesses. MDH Investment Management Inc provides investment products and services such as financial planning and management. Cooper Insurance Agency offers insurance coverage for families, individuals and businesses along with group health and long-term care and disability insurance.

1NCB business strategy is to offer its customers a range of loan products including home mortgage, consumer, commercial, agricultural and municipal loans in addition to checking, savings, and time deposit accounts. 1NCB experienced low loan demand during the evaluation period due to its demographic profile and the recent economic recession.

As of December 31, 2010, the bank's loan portfolio was comprised of real estate loans (61 percent), consumer loans (21 percent), commercial loans (11 percent) and municipal loans (7 percent). The real estate portfolio is comprised of home mortgage loans (54 percent), commercial real estate loans (45 percent), and agricultural loans (1 percent).

1NCB operates five branches within its AA. All are full-service branches with ATMs except for the New Cumberland, WV office. All branches provide drive-thru banking services. An office in a retail store location was closed in June 2009. As the office was not in a moderate-income geography, it did not negatively impact the bank's ability to provide services to that area. 1NCB's Calcutta branch is located one mile from the closed office. No offices were opened in that same timeframe.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The previous CRA examination dated October 12, 2004, resulted in a rating of "Satisfactory".

## **Conclusions with Respect to Performance Criteria**

The bank's overall lending performance is Satisfactory. This conclusion is based primarily on performance within the Columbiana OH AA, as this is where the bank made a majority of its loans. Our analysis is based on all home mortgage loans and a sample of business loans originated by the bank within its AA during the evaluation period.

### **Loan-to-Deposit Ratio**

The bank's net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance given the bank's size and financial condition, and the credit needs of the bank's AA. The bank's average quarterly loan-to-deposit ratio over the 25 quarters ending December 31, 2010 was 64.85 percent. This was well below the 78.41 percent experienced by its peer group of banks during the same period.

Several factors help to mitigate the lower loan-to-deposit ratios. Unemployment rates in portions of the AA are well above both state and national levels, and there is little demand for new housing due to a shrinking and aging population. Approximately twenty-three percent of households in the AA are retired, and a third of households receive social security. About forty percent of the AA consists of moderate-income census tracts, and thirteen percent of households are below the poverty level. All of these conditions limit opportunities to provide additional lending services and negatively impacted loan demand.

The stressed economic conditions of the past three years has also fostered a change in consumer lending habits. Consumers are choosing not to take on additional debt and instead pay down existing obligations. Deposits have increased more rapidly as loan demand shrank and consumers concentrated on boosting savings.

Given the stressed economic conditions of recent years and demographic data noted above, this performance is considered reasonable.

**Lending in Assessment Area**

Table 1 details 1NCB’s aggregate lending in its AAs by number of loan originations and dollar volume of originations during the evaluation period.

1NCB’s record of lending in its AAs exceeds the standards for satisfactory performance. A substantial majority of lending activity has occurred inside the bank’s AAs. Approximately 84 percent of the number of loans originated during the evaluation period were located within the bank’s AAs.

<b>Table 1 – Lending in 1NCB’s Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	32	74.42	11	25.58	43	1,510	69.30	669	30.70	2,179
Home Improvement	47	94.00	3	6.00	50	824	97.17	24	2.83	848
Home Refinance	78	82.98	16	17.02	94	4,395	70.63	1,828	29.37	6,223
Business	60	83.33	12	16.67	72	6,359	63.16	3,709	36.84	10,068
Totals	217	83.78	42	16.22	259	13,088	67.75	6,230	32.25	19,318

**Sources:** Data reported under HMDA; Sample results.

**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.

## State Rating

### Ohio

#### CRA Rating for Ohio: Satisfactory

The borrower distribution of home mortgage loans and business loans reflects reasonable penetration among borrowers of different incomes and excellent penetration to businesses of different sizes.

The geographic distribution of home mortgage and business loans reflects reasonable and excellent dispersion, respectively, among geographies of different income levels in the AA. The analysis reflects lending occurred in all census tracts within these AAs.

Greater weight is placed on the performance within the Columbiana AA where the bank made a substantial majority of its loans.

#### Description of Assessment Area

1NCB's primary assessment area is described below:

<b>Demographic Information for the Columbiana AA</b>					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	11	0.00%	54.55%	45.45%	0.00%
Population by Income Level of Geography	46,931	0.00%	40.52%	59.48%	0.00%
Family Distribution by Income Level of Geography	12,332	0.00%	48.81%	51.19%	0.00%
Owner-Occupied Housing Units by Income Level of Geography	18,844	0.00%	38.75%	61.25%	0.00%
Businesses by Income Level of Geography	2,369	0.00%	37.15%	62.85%	0.00%
Farms by Income Level of Geography	99	0.00%	7.07%	92.93%	0.00%
Distribution of Families by Income Level Throughout AA	12,332	25.41%	22.27%	23.69%	28.64%
Businesses by Revenue Level	Revenue < = 1 Million		Revenue > 1 Million		Revenue not Reported
Farm	100.00%		0.00%		0.00%
Non-Farm	76.74%		3.46%		19.80%

HUD Adjusted Median (ADM) Family Income 2009 Non-MSA	= \$53,700	Unemployment Rate: Dec. 2010	
Low Income (below 50% of ADM)	= \$0 - \$26,845	United States	= 9.7%
Moderate Income (50 to 79.99% of ADM)	= \$26,846 - \$42,955	Ohio	= 9.3%
Middle Income (80% to 119.99% of ADM)	= \$42,956 - \$64,435	Columbiana County	= 11.2%
Upper Income (120% and above ADM)	= \$64,436 - Above		
Households Below the Poverty Level	= 2,717 [15.47%]		

**Sources:** 2000 U.S. Census; US Department of Labor; Dun and Bradstreet 2010

1NCB’s primary AA is comprised of eleven census tracts within Columbiana County. Columbiana County is not within any MSA. This AA is consistent with the requirements of the regulation and includes whole census tracts. The Columbiana AA accounts for approximately 85 percent of the bank’s loans and 70 percent of the bank’s deposits.

COUNTY	MAJOR EMPLOYERS
Columbiana	Columbiana County Government, East Liverpool City Hospital, Wal-mart Stores, East Liverpool School District, Kent State Regional Campus

**Sources:** Columbiana County Development Office

There are 8 financial institutions serving the AA according to a June 30, 2010 Federal Deposit Insurance Corporation (FDIC) deposit market share report. These include three regional banks, two interstate banks, and three community banks, operating a total of 23 offices. The number of financial institutions in the AA provides a competitive banking environment. 1NCB ranked third, with approximately fourteen percent of the insured deposit market.

Local economic conditions for the AA have weakened during the evaluation period. This includes the continued loss of manufacturing jobs, fewer new businesses moving in to compensate for this loss, uncertainty regarding continued employment in existing industries, and disruption in the financial markets resulting in an economic recession. Unemployment rates rose from 7.0 percent in January 2008 and peaked at 14.9 percent in January 2010. The unadjusted unemployment rate at December 2010 for Columbiana County was 11.2 percent. This unemployment rate is well above the State of Ohio unadjusted unemployment rate of 9.3 percent.

We determined the community’s credit needs by contacting a representative from an affordable housing organization, as well as conducting discussions with bank management. Credit and non-credit needs of the community include:

- Funding for small business development programs to start a new business or expand an existing business.
- Local banker participation on an agency board to enhance the management and budgeting skills of the agency.
- Expand financial education to low- and moderate-income families residing in rental homes or apartments.

- Assistance in setting up and funding Volunteer Income Tax Clinics (VITC) for low-and moderate income households.
- First time homeowner down payment assistance and rehabilitation loans to low-and moderate-income households..

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

The borrower distribution of home mortgage loans and business loans reflects reasonable penetration among borrowers of different incomes and excellent penetration to businesses of different sizes. Refer to Tables 2 and 3, respectively, for the primary data used to assess the borrower distribution of home mortgage lending and business lending to businesses of different sizes within the 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	25.41	13.79	22.27	31.03	23.69	10.34	28.64	31.03
Home Improvement	25.41	35.14	22.27	18.92	23.69	37.84	28.64	8.11
Home Refinance	25.41	9.72	22.27	19.44	23.69	19.44	28.64	44.44

**Sources:** Data reported under HMDA; 2000 U.S. Census data. No income was reported on 13.79% of home purchase loans and 6.94% of home refinance loans.

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home purchase loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in the area.

The distribution of home improvement loans reflects reasonable penetration among borrowers of different income levels. Although the percentages of home improvement loans to low-income borrowers is significantly above the percentage of moderate-income families in the area, the percentages of home improvement loans to moderate-income borrowers are slightly lower than the percentages of moderate-income families in the area.

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home refinance loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of home refinance loans to moderate-income borrowers is slightly lower than the percentage of moderate-income families in the area.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an

impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Area** section for demographic information including poverty rates.

Consideration was also given to the fact that the economic recession which occurred during the evaluation period reduced demand for home mortgage lending. In addition, management discussion noted many home improvement projects are part of multi-purpose loan requests and thus reflected within the bank’s home refinance portfolio.

<b>Table 3 - Distribution of Loans to Businesses of Different Sizes (Columbiana AA)</b>						
Size of Business	GAR ≤ \$1MM		GAR > \$1MM		GAR Not Reported	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Business	76.74	97.56	3.46	2.44	19.80	0.00

**Sources:** Sample results; 2010 Dun & Bradstreet business data. GAR=Gross Annual Revenues.

1NCB’s distribution of lending to businesses of different sizes reflects excellent penetration. Our analysis is based on a sample of forty-one business loans made within the AA. The percentage of loans made to businesses with gross annual revenues of \$1 million or less substantially exceeds the percentage of area businesses reporting gross annual revenues of \$1 million or less. Approximately 20 percent of businesses did not report income.

**Geographic Distribution of Loans**

The geographic distribution of home mortgage and business loans reflects reasonable and excellent dispersion, respectively, among geographies of different income levels in the AA. The analysis reflects lending occurred in all census tracts within these AAs.

The percentages of home mortgage loans made in moderate-income census tracts are comparable to the percentage of owner-occupied housing in the area. Refer to Table 4 for the primary data used to assess the geographic distribution of home mortgage loans in the Columbiana AA. There are no low-income census tracts in this AA.

<b>Table 4 - Geographic Distribution of Home Mortgage Loans (Columbiana AA)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	0.00	0.00	48.81	41.38	51.19	58.62	0.00	0.00
Home Improvement	0.00	0.00	48.81	45.95	51.19	54.05	0.00	0.00
Home Refinance	0.00	0.00	48.81	50.00	51.19	50.00	0.00	0.00

**Sources:** Data reported under HMDA; 2000 U.S. Census data.

The distribution of business loans reflects excellent dispersion among geographies of different income levels in the AA. Refer to Table 5 for the primary data used to assess the geographic distribution of business loans in the Columbiana AA.

<b>Table 5 - Geographic Distribution of Loans to Businesses (Columbiana AA)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans
Business	0.00	0.00	37.15	42.86	62.85	54.76	0.00	0.00

**Sources:** Sample results; 2010 Dun & Bradstreet business data. GAR = Gross Annual Revenues

**Responses to Complaints**

1NCB has not received any written complaints during the evaluation period regarding its performance in meeting the credit and deposit needs of its AA.

## State Rating

### West Virginia

#### CRA Rating for West Virginia: Satisfactory

The borrower distribution of home mortgage loans and business loans reflects reasonable penetration among borrowers of different incomes and excellent penetration to businesses of different sizes.

An evaluation of the geographic distribution of loans in the Hancock AA is not meaningful, as there are no low- or moderate-income geographies in this area.

#### Description of Assessment Area

1NCB's Hancock assessment area is described below:

<b>Demographic Information for the Hancock AA</b>					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	4	0.00%	0.00%	100.00%	0.00%
Population by Income Level of Geography	16,142	0.00%	0.00%	100.00%	0.00%
Family Distribution by Income Level of Geography	4,739	0.00%	0.00%	100.00%	0.00%
Owner-Occupied Housing Units by Income Level of Geography	7,157	0.00%	0.00%	100.00%	0.00%
Businesses by Income Level of Geography	617	0.00%	0.00%	100.00%	0.00%
Farms by Income Level of Geography	59	0.00%	0.00%	100.00%	0.00%
Distribution of Families by Income Level Throughout AA	4,739	17.87%	19.92%	24.88%	37.33%
Businesses by Revenue Level	Revenue <= 1 Million	Revenue > 1 Million		Revenue not Reported	
Farm	100.00%	0.00%		0.00%	
Non-Farm	68.88%	2.92%		28.20%	
HUD Adjusted Median (ADM) Family Income 2009 MSA	= \$49,700		Unemployment Rate: Dec. 2010		
Low Income (below 50% of ADM)	= \$0 - \$24,845		United States		= 9.7%
Moderate Income (50 to 79.99% of ADM)	= \$24,846 - \$39,755		West Virginia		= 9.4%

Middle Income (80% to 119.99% of ADM)	= \$39,756 - \$59,635	Hancock County	= 13.1%
Upper Income (120% and above ADM)	= \$59,636 - Above		
Households Below the Poverty Level	= 876 [13.16%]		

**Sources:** 2000 U.S. Census; US Department of Labor; Dun and Bradstreet 2010

1NCB’s Hancock AA is comprised of four census tracts within Hancock County. Hancock County is located within the Weirton-Steubenville WV-OH Multistate MSA. This AA is consistent with the requirements of the regulation and includes whole census tracts. As of December 31, 2010 the Hancock AA accounts for approximately 10 percent of the bank’s loans and 8 percent of the bank’s deposits. There are no low- or moderate-income geographies in this AA.

COUNTY	MAJOR EMPLOYERS
Hancock	Mountaineer Park Inc, Homer Laughlin China Co, Arcelormittal Weirton Inc, Hancock County Board of Education, Bellofram Corp.

**Sources:** Workforce WV website

There are 4 financial institutions serving the AA according to a June 30, 2010 Federal Deposit Insurance Corporation (FDIC) deposit market share report. These include one regional bank and three community banks, operating a total of 6 offices. The number of financial institutions in the AA provides a competitive banking environment. 1NCB ranked fourth with approximately three percent of the insured deposit market.

Local economic conditions for the AA have weakened during the evaluation period. This includes the continued loss of mining and manufacturing jobs, fewer new businesses moving in to compensate for this loss, uncertainty regarding continued employment in existing industries, and disruption in the financial markets resulting in an economic recession. Unemployment rates rose from 6.2 percent in January 2008 and peaked at 14.4 percent in July 2010. The unadjusted unemployment rate at December 2010 for Hancock County was 13.1 percent. This unemployment rate is well above the State of West Virginia unadjusted unemployment rate of 9.4 percent.

We determined the community’s credit needs by contacting representatives from an affordable housing organization and an economic development organization, as well as conducting discussions with bank management. Credit and non-credit needs of the community include:

- Supplement existing funding for small business development programs to start a new business or expand an existing business.
- Banker participation on local economic development corporation to offer technical assistance to the board.
- Providing consumer financial education to low- and moderate-income households.
- Funding for a micro-loan program for low- and moderate-income households.
- Affordable rehabilitation loans to low- and moderate-income households.

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

The borrower distribution of home mortgage loans and business loans reflects reasonable penetration among borrowers of different incomes and excellent penetration to businesses of different sizes. Refer to Tables 6 and 7, respectively, for the primary data used to assess the borrower distribution of home mortgage lending and business lending to businesses of different sizes within the 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	17.87	0.00	19.92	33.33	24.88	0.00	37.33	66.67
Home Improvement	17.87	11.11	19.92	22.22	24.88	22.22	37.33	44.44
Home Refinance	17.87	0.00	19.92	40.00	24.88	20.00	37.33	40.00

**Sources:** Data reported under HMDA; 2000 U.S. Census data.

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. Although no home purchase loans were made to low-income borrowers in the area, the percentage of home purchase loans to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the area.

The distribution of home improvement loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home improvement loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of home improvement loans to moderate-income borrowers exceeds the percentage of moderate-income families in the area.

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. Although no home refinance loans were made to low-income borrowers in the area, the percentage of home refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families in the area.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Area** section for demographic information including poverty rates.

Consideration was also given to the fact that the economic recession which occurred during the evaluation period reduced demand for home mortgage lending. In addition, management discussion noted many home improvement projects are part of multi-purpose loan requests and thus reflected within the bank's home refinance portfolio.

<b>Table 7 - Distribution of Loans to Businesses of Different Sizes (Hancock AA)</b>						
Size of Business	GAR <= \$1MM		GAR > \$1MM		GAR Not Reported	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Business	66.88	82.35	2.92	17.65	28.20	0.00

**Sources:** Sample results; 2010 Dun & Bradstreet business data. GAR=Gross Annual Revenues.

1NCB's distribution of lending to businesses of different sizes reflects excellent penetration. Our analysis is based on a sample of seventeen business loans made within the AA. The percentage of loans made to businesses with gross annual revenues of \$1 million or less exceeds the percentage of area businesses reporting gross annual revenues of \$1 million or less. Approximately 28 percent of businesses did not report income.

**Geographic Distribution of Loans**

An evaluation of the geographic distribution of loans in the Hancock AA is not meaningful, as there are no low- or moderate-income geographies in this area.

**Responses to Complaints**

1NCB has not received any written complaints during the evaluation period regarding its performance in meeting the credit and deposit needs of its AA.

## State Rating

### Pennsylvania

#### CRA Rating for Pennsylvania: Satisfactory

The borrower distribution of home mortgage loans and business loans reflects reasonable penetration among borrowers of different incomes and excellent penetration to businesses of different sizes.

The geographic distribution of home mortgage and business loans reflects poor and reasonable dispersion, respectively, among geographies of different income levels in the AA. As previously noted, there are no low-income census tracts in this AA.

#### Description of Assessment Area(s)

1NCB's Beaver assessment area is described below:

<b>Demographic Information for the Beaver AA</b>					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	3	0.00%	33.33%	66.67%	0.00%
Population by Income Level of Geography	10,235	0.00%	30.65%	69.35%	0.00%
Family Distribution by Income Level of Geography	2,907	0.00%	48.81%	51.19%	0.00%
Owner-Occupied Housing Units by Income Level of Geography	4,357	0.00%	23.07%	76.93%	0.00%
Businesses by Income Level of Geography	399	0.00%	35.84%	64.16%	0.00%
Farms by Income Level of Geography	18	0.00%	0.00%	100.00%	0.00%
Distribution of Families by Income Level Throughout AA	2,907	22.33%	22.81%	21.33%	33.54%
Businesses by Revenue Level	Revenue < = 1 Million		Revenue > 1 Million		Revenue not Reported
Farm	100.00%		0.00%		0.00%
Non-Farm	78.95%		4.51%		16.54%
HUD Adjusted Median (ADM) Family Income 2009 MSA	= \$63,000		Unemployment Rate: Dec 2010		
Low Income (below 50% of ADM)	= \$0 - \$31,494		United States		= 9.7%
Moderate Income (50 to 79.99% of ADM)	= \$31,495 - \$50,394		Pennsylvania		= 8.1%

Middle Income (80% to 119.99% of ADM)	= \$50,395 - \$75,594	Beaver County	= 7.5%
Upper Income (120% and above ADM)	= \$75,595 - Above		
Households Below the Poverty Level	= 423 [10.56%]		

**Sources:** 2000 U.S. Census; US Department of Labor; Dun and Bradstreet 2010

1NCB’s Beaver AA is comprised of three census tracts within Beaver County. Beaver County is part of the Pittsburgh PA MSA. This AA is consistent with the requirements of the regulation and includes whole census tracts. As of December 31, 2010 the Beaver AA accounts for approximately 17 percent of the bank’s loans and 5 percent of its deposits.

COUNTY	MAJOR EMPLOYERS
Beaver	Valley Medical Facilities Inc, Beaver County Government, First Energy, Allegheny Ludlum, Pennsylvania Cyberschool

**Sources:** Beaver County PA website & bank management.

There are 4 financial institutions serving the AA according to a June 30, 2010 Federal Deposit Insurance Corporation (FDIC) deposit market share report. These include two regional banks and two community banks, operating a total of 5 offices. The number of financial institutions in the AA provides a competitive banking environment. 1NCB ranked fourth, with approximately eight percent of the insured deposit market.

Local economic conditions for the AA have weakened during the evaluation period. This includes the continued loss of manufacturing jobs, fewer new businesses moving in to compensate for this loss, uncertainty regarding continued employment in existing industries, and disruption in the financial markets resulting in an economic recession. Unemployment rates rose from 5.8 percent in January 2008 and peaked at 9.4 percent February 2010. The unadjusted unemployment rate at December 2010 for Beaver County was 7.5 percent. This unemployment rate is below the State of Pennsylvania unadjusted unemployment rate of 8.1 percent.

We determined the community’s credit needs by contacting a representative from an affordable housing organization as well as conducting discussions with bank management. Credit and non-credit needs of the community include:

- Expand the number of participating lenders providing competitive mortgage loans to low- and moderate-income households
- Establish a county micro-loan program to assist small business start ups and working capital loans.
- Local banker participation on an agency board to provide in-kind assistance to community agencies.
- Provide contributions to the general operating fund of community agencies to offset reduced funding due to state budget cuts.
- Provide contributions to first time homeowner down payment assistance pool targeted to low- and moderate-income households.

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

The borrower distribution of home mortgage loans and business loans reflects reasonable penetration among borrowers of different incomes and excellent penetration to businesses of different sizes. Refer to Tables 8 and 9, respectively, for the primary data used to assess the borrower distribution of home mortgage lending and business lending to businesses of different sizes within the 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	22.33	0.00	22.81	0.00	21.33	0.00	33.54	0.00
Home Improvement	22.33	0.00	22.81	100.00	21.33	0.00	33.54	0.00
Home Refinance	22.33	0.00	22.81	100.00	21.33	0.00	33.54	0.00

**Sources:** Data reported under HMDA; 2000 U.S. Census data.

The distribution of home purchase loans reflects poor penetration among borrowers of different income levels. The percentages of home improvement loans to low- and moderate-income borrowers are significantly below the percentage of low- and moderate-income families in the area.

The distribution of home improvement loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home improvement loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of home improvement loans to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the area.

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home refinance loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of home refinance loans to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the area.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Area** section for demographic information including poverty rates.

Consideration was also given to the fact that the economic recession which occurred during the evaluation period reduced overall demand for home mortgage lending. In addition, management discussion noted many home improvement projects are part of multi-purpose loan requests and thus reflected within the bank’s home refinance portfolio.

<b>Table 9 - Distribution of Loans to Businesses of Different Sizes (Beaver AA)</b>						
Size of Business	GAR ≤ \$1MM		GAR > \$1MM		GAR Not Reported	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Business	78.95	100.00	4.51	0.00	16.54	0.00

**Sources:** Sample results; 2010 Dun & Bradstreet business data. GAR=Gross Annual Revenues.

1NCB’s distribution of lending to businesses of different sizes reflects reasonable penetration. Our analysis is based on a sample of two business loans made within the AA. The percentage of loans made to businesses with gross annual revenues of \$1 million or less exceeds the percentage of area businesses reporting gross annual revenues of \$1 million or less. Approximately 17 percent of businesses did not report income.

Banks with total assets under \$1 million dollars do not have to report business loan data to financial authorities although home mortgage loan data reporting is standard for any financial institution whose AA resides in a MSA. Consequently, these results may not be truly indicative of the overall lending to business of different sizes but only the lending as reflected in the loan sample chosen for this report.

**Geographic Distribution of Loans**

The geographic distribution of home mortgage and business loans reflects poor and reasonable dispersion, respectively, among geographies of different income levels in the AA. As previously noted, there are no low-income census tracts in this AA.

The percentages of home mortgage loans made in moderate-income census tracts are poor compared to the percentage of owner-occupied housing in the area. Refer to Table 10 for the primary data used to assess the geographic distribution of home mortgage loans in the Beaver AA.

<b>Table 10 - Geographic Distribution of Home Mortgage Loans (Beaver AA)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of # of Loans						
Home Purchase	0.00	0.00	23.07	0.00	76.93	0.00	0.00	0.00
Home Improvement	0.00	0.00	23.07	0.00	76.93	100	0.00	0.00
Home Refinance	0.00	0.00	23.07	13.79	76.93	100	0.00	0.00

**Sources:** Data reported under HMDA; 2000 U.S. Census data.

Consideration is given to several factors which impact these findings. The area’s

poverty level of 11 percent limits opportunities to lend to the low-income segment of the community. Approximately one-fourth of the population is retired with one-third living on social security. Furthermore, the area’s current unemployment level and uncertainty of continued employment offer limited opportunities to originate these types of loans.

The distribution of business loans reflects reasonable dispersion among geographies of different income levels in the AA. Refer to Table 11 for the primary data used to assess the geographic distribution of business loans in the Beaver AA. As previously noted, there are no low-income census tracts in this AA.

<b>Table 11 - Geographic Distribution of Loans to Businesses (Beaver AA)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans
Business	0.00	0.00	35.84	50.00	64.16	50.00	0.00	0.00

**Sources:** Sample results; 2010 Dun & Bradstreet business data. GAR = Gross Annual Revenues

### Responses to Complaints

1NCB has not received any written complaints during the evaluation period regarding its performance in meeting the credit and deposit needs of its AA.