



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

September 22, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Port Allegany
Charter Number: 3877
64 Main Street
Port Allegany, Pennsylvania 16743**

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Port Allegany** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 22, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

This overall rating is supported by the following factors:

- The bank's average loan to deposit ratio since the last CRA examination is 82%.
- The vast majority of loans granted during this evaluation period originated within the assessment area.
- The bank exhibits a good record of lending to small businesses and to individuals at all levels of income.

The following table indicates the performance level of The First National Bank of Port Allegany with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Port Allegany</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	x		
Lending in Assessment Area	x		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		x	
Geographic Distribution of Loans	Not a meaningful analysis		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Port Allegany's (FNBPA) assets totaled nearly \$59 million on June 30, 1997. The bank, headquartered in Port Allegany, operates in a remote section of northwestern Pennsylvania 30 miles east of Bradford, just south of the New York border. There are no nearby metropolitan areas. Services are retail oriented with a wide variety of credit products offered. The loan portfolio approximates 77% of total assets with residential mortgages accounting for 46% of gross loans. The remainder of the loan portfolio consists of 39% small commercial loans and 15% consumer loans. There are no known legal or financial impediments that prevent FNBPA from meeting the credit needs of its community.

The bank operates two full service branches in addition to the main office. One branch, in Coudersport, opened in August of 1997. The other branch is located at the Lillibridge Plaza in Port Allegany. Automated teller machines are located at both branches. All offices are in middle-income geographies. According to bank management, their major competitors are nearby branches of Citizens Trust Company and Hamlin Bank. Other competitors are two credit unions and several insurance agencies.

DESCRIPTION OF ASSESSMENT AREA

FNBPA's assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The assessment area consists of McKean, Potter, and Cameron counties. This area includes seven block numbering area (BNAs) in a non-MSA region of Pennsylvania. With the exception of one BNA, all BNAs are designated as middle-income geographies; the other is a moderate-income tract. The HUD median family income for non-MSA portions of Pennsylvania is \$34,500. The total population of the assessment area is 27,037, according to 1990 census data. The median housing value is \$38,200.

The bank's assessment area is rural and economic conditions are generally stable. The glass industry drives the economy of McKean County. Major employers are Ball Foster and Pittsburgh Corning. Potter County has a more diversified economy. Major employers in Potter County are Charles Cole Memorial Hospital, Pure Carbon Company, Adelphia Communications, Potter Pac, Encon Industries, and Truck Lite. The only moderate-income tract within the assessment area is Cameron County's Emporium Borough. Cameron County is sparsely populated and the only major employer is Sinter Metals. According to bank management, the primary credit needs of the assessment area are housing related.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

FNBPA's average loan to deposit ratio since our last CRA examination is 82%. This ratio materially exceeds the 69% ratio noted for similarly sized Pennsylvania banks.

Lending in Assessment Area

According to bank management, over 95% of all loan originations in the past two years were made within the assessment area. Our file sample supports this assertion as 100% of the loans we reviewed originated within the bank's assessment area. Our sample included 26 residential mortgage loans totaling \$873 thousand and 30 consumer loans totaling \$184 thousand. These loans originated in May, June, and July of 1997 and represent over 75% of those type loan originations within that time period.

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

The bank has a good record of lending to borrowers of different incomes. The table below shows our loan sample (described above) according to the borrowers' income level. The table shows that the income levels of the borrowers in our file sample is generally representative of the demographic composition of the assessment area.

Income Distribution of Loan File Sample					
Income Designation of Borrower	Percentage of Families in the Assessment Area	Number of Loans	%	Dollar Amount of Loans (000s)	%
Low	21	13	23	\$ 76	7
Moderate	22	24	43	452	43
Middle	25	8	14	131	12
Upper	32	11	20	398	38
Total	100	56	100	\$1,057	100

According to the June 30, 1997 call report, most commercial loans outstanding on that date had original loan balances of less than \$100 thousand. The reported data includes 315 commercial loans with outstanding balances totaling slightly over \$17 million. The accuracy of this information was verified. By using loan size as a proxy for the size of the business, we concluded that most of the bank's commercial borrowers are small businesses. Additionally, the bank's legal lending limit of \$943 thousand prevents FNBPA from funding larger loan requests.

Geographic Distribution of Loans

A geographic distribution of loans was not performed because nearly the entire assessment area consists of middle-income geographies. Our limited file sample included one loan that originated in the only moderate-income geography.

Compliance with Antidiscrimination Laws

A fair lending review performed in conjunction with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.