



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

February 13, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NexTier Bank, NA
Charter Number 5073

222 Market Street
Kittanning, PA 16201

Office of the Comptroller of the Currency

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4075 Monroeville Blvd, Suite 300
Monroeville, PA 15146-2529

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, and should not 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.

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Overall CRA Rating: Outstanding

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The institution's overall CRA rating is Outstanding. The major factors supporting the institution's overall CRA, Lending Test, and Community Development Test ratings are:

- NexTier Bank, NA's (NexTier) record of originating loans, as indicated by the loan-to-deposit ratio, is reasonable.
- NexTier originated a majority of its residential real estate loans inside its assessment area (AA).
- The borrower distribution of loans reflects excellent penetration among individuals of different income levels given the credit needs of AA and market competition.
- NexTier's record of originating residential real estate loans to borrowers of different geographic distribution levels reflects excellent dispersion among AA geographies.
- NexTier's community development (CD) performance demonstrates excellent responsiveness to the CD needs of the AA through CD lending, qualified donations or investments, and services.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business (es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

NexTier Bank is an independently owned intrastate community bank. NexTier Bank's headquarters and main office are located in Kittanning, Pennsylvania. NexTier Bank is a wholly owned subsidiary of NexTier, Inc., which is also headquartered in Kittanning, Pennsylvania. The borough of Kittanning is located in Armstrong County in Western Pennsylvania. Armstrong County is located approximately 44 miles northeast of Pittsburgh, Pennsylvania. NexTier Bank's assessment area includes all of Armstrong and Butler Counties and portions of Westmoreland and Allegheny Counties, which are contiguous to Armstrong County.

As of September 30, 2016, NexTier Bank's assets totaled \$1.2 billion, deposits totaled \$1.0 billion and tier 1 capital totaled \$129.0 million. Net loans and leases totaled \$830.5 million, representing 73.1 percent of total assets. Assets included investments of \$223.5 million, real estate loans of \$649.5 million, commercial loans of \$105.7 million, and loans to individuals of \$20.8 million. Residential (1-4 family) mortgage loans, commercial mortgages, and commercial and industrial loans represented 38.6 percent, 37.8 percent, and 12.8 percent, respectively, of NexTier Bank's loan portfolio. NexTier's strategy is to continue to originate residential mortgage and commercial loans in its market area.

Merger activity during the evaluation period resulted in expansion of the bank's assessment area. On October 1, 2014, a merger was completed with Farmers and Merchant's Bank of Western PA (F&M) and NexTier Bank. While F&M was the surviving bank, the name was changed to NexTier Bank. The merger resulted in the overlapping of the Bank's AA of 27 census tracts from F&M into the 86 census tracts of NexTier Bank. The merger added 41 census tracts to include the entire County of Butler and an additional 18 census tracts in the northern part of Allegheny County.

NexTier operates 24 full-service, retail branch offices. NexTier's branches are located within the bank's AA. NexTier operates four branches in low- to moderate-income census tracts. Retail branches in low- to moderate-income census tracts represent 16.7 percent of NexTier's total branch footprint. As a result of the merger between F&M and legacy NexTier, NexTier acquired 15 additional branches within their AA. NexTier did not open any additional branches or close any branches during the evaluation period. NexTier operates automated teller machines (ATMs) in conjunction with 22 of its retail branches.

There are no factors, legal or otherwise, that hindered NexTier's ability to help meet the credit needs of its AA. NexTier's most recent Performance Evaluation, dated December 2, 2013, assigned a "Satisfactory" CRA rating to the bank.

Scope of the Evaluation

Evaluation Period/Products Evaluated

NexTier's performance relative to the Community Reinvestment Act (CRA) was evaluated under the Intermediate Small Bank (ISB) examination procedures. The ISB procedures include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs of its AA through funding CD loans and investments and participating in CD services.

NexTier's primary loan products consist of residential mortgage loans that include home purchase, home improvement, and home mortgage refinance loans. However, merger activity was completed on October 1, 2014, during the evaluation period between F&M and NexTier Bank (see description of institution for more details). While F&M was the surviving bank, the name was changed to NexTier Bank. The evaluation period for home mortgage lending data is January 1, 2013 to December 31, 2015. Data for prior activity to the merger legacy NexTier with the bank (new) NexTier is not included within the scope of this evaluation. Prior NexTier merger activity was filed separate as NexTier Bank, charter number 8854, CRA & Home Mortgage Disclosure Act (HMDA) data for January 1, 2014 through September 30, 2014. Accordingly, the evaluation period for the AA new to the merged NexTier Bank is December 30, 2014 to December 31, 2015. We analyzed CD loans, qualified investments, branching activities, and CD services from December 2, 2013 through December 31, 2016 for the surviving NexTier Bank.

Data Integrity

In order to evaluate NexTier's record of originating residential mortgage loans, we analyzed loan data collected and reported by NexTier in accordance with HMDA requirements. We performed a data integrity examination to ensure the reliability of the bank's HMDA loan data. In addition, we evaluated processes employed by NexTier to ensure the accurate and complete reporting of HMDA data. We tested the accuracy of NexTier's HMDA loan data by comparing a sample of reported loans with NexTier's loan file documentation. The data integrity examination revealed that NexTier's publicly available HMDA loan data could be relied on for the purposes of this CRA performance evaluation.

Selection of Areas for Full-Scope Review

NexTier has one AA. We performed a full-scope review for this AA.

Ratings

The bank's overall rating is based solely on the full-scope review of its one AA.

Other

Community contacts identified needs for affordable housing and related financial education, more branch locations in low- to moderate-income neighborhoods, and increased lending to small businesses. NexTier's record of qualifying CD activity in the evaluation period includes activities that target the identified CD needs in the bank's AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) and 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB).

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Description of Assessment Area

NexTier has identified 86 whole contiguous census tracts (CTs) or geographies as its AA. The bank added 59 new CTs to its AA since October 2014. All of the AA CTs are located within four adjacent counties in Pennsylvania. The majority of CTs are located in Butler County, which contains 44 CTs. The remaining CTs are located in Allegheny County (18), Armstrong County (19), and Westmoreland County (5).

The AA is comprised primarily of middle- and upper- income CTs, which total 45 and 25, respectively. NexTier's AA contains one low-income and 14 moderate-income CTs. NexTier's entire AA is located within the Pittsburgh Metropolitan Statistical Area (MSA). NexTier's AA was delineated by including whole geographies in which the bank has its branch locations, in addition to the surrounding geographies in which the bank originated a substantial portion of its loans. The AA complies with all regulatory requirements and does not arbitrarily exclude low- or moderate-income areas.

The following table outlines basic demographic data for NexTier's AA:

Demographic Information for Full Scope Area: NexTier Bank 2013-2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	86	1.16	16.28	52.33	29.07	0.00
Population by Geography	364,318	0.98	11.69	50.32	36.49	0.00
Owner-Occupied Housing by Geography	111,850	0.51	10.56	52.88	36.05	0.00
Business by Geography	27,218	1.10	9.56	44.51	44.81	0.00
Farms by Geography	1,098	0.09	7.92	66.21	25.77	0.00
Family Distribution by Income Level	99,928	15.89	16.66	21.24	46.22	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	32,519	1.58	20.04	59.76	18.62	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2015 Households Below Poverty Level		\$62,376 \$69,700 9.0%	Median Housing Value Unemployment Rates (Nov. 2015 US Bureau of Labor Statistics) Pennsylvania Allegheny County Armstrong County Butler County Westmoreland County		\$158,035 4.7% 4.8% 6.4% 4.6% 5.2%	

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2015 FFIEC updated MFI

AA banking competition is strong. NexTier's AA contains branches from large financial institutions, savings institutions, and community banks. PNC Bank, Bank of New York Mellon, and BNY Mellon, National Association have a 50.7 percent, 9.7 percent and 8.0 percent deposit share in the AA, respectively. NexTier bank is ranked 12th in their AA with 0.9 percent of the total deposit share. In addition, mortgage competition is strong as well. Wells Fargo, Dollar Bank, and PNC Bank have a 9.0 percent, 7.0 percent and 6.8 percent market share, respectively, in the 1-4 family residential mortgage market. NexTier is ranked 15th in this mortgage market with a 1.5 percent market share.

For NexTier's AA, the 2010 census reports a total population of 364,318, total families of 99,928, and total owner-occupied households of 111,850. Of the 154,783 total AA housing units, 72.3 percent are owner occupied, 19.5 percent are rentals and 8.2 percent are vacant. Of AA owner-occupied housing, 0.51 percent is located within low-income CTs and 10.6 percent is located within moderate-income CTs. The median housing value in NexTier's AA is \$158,035. The housing supply in Butler County, NexTier's largest portion of its AA, consists primarily of newer homes, those built in 1970 or later.

FFIEC data updated for 2015, reports the Pittsburgh, PA MSA adjusted median family income to be \$69,700. Of AA families, 15.9 percent, 16.7 percent, 21.2 percent and 46.2 percent are classified as low-, moderate-, middle- and upper-income, respectively. In the AA, 9.0 percent of the population are below the poverty level. These AA demographic factors significantly impact housing affordability and corresponding residential mortgage loan demand from low- and moderate-income AA residents.

The Pittsburgh metropolitan area, including NexTier's AA, is one of Pennsylvania's strongest metropolitan areas. According to the 2015 business demographic data, 28,316 businesses operate within NexTier's AA, of which 1,098 are farms. Area businesses by industry type are centered in services (51.5 percent) and retail trade (12.7 percent).

Major employers within the Pittsburgh MSA include UPMC, University of Pittsburgh, PNC Financial Services, Allegheny Health Network, and Giant Eagle. Employment within NexTier's AA is diversified with retail, manufacturing, services and healthcare opportunities. Unemployment rates reported as of December 2015, from the Bureau of Labor Statistics for Allegheny, Armstrong, Butler and Westmoreland Counties were 4.8 percent, 6.4 percent, 4.6 percent and 5.2 percent, respectively. The State unemployment rate was 4.7 percent for the same time period.

Conclusions with Respect to Performance Tests

The conclusion of NexTier's performance relies exclusively on the full-scope review of the bank's performance in its sole AA.

LENDING TEST

NexTier's lending test is rated outstanding.

Loan-to-Deposit Ratio

NexTier's LTD ratio, as compared to the average LTD ratio exhibited by financial institutions that are direct competition within the AA over the same period, is reasonable. The LTD ratio is calculated on a bank-wide basis.

NexTier's quarterly average LTD ratio is reasonable compared to financial institutions operating in the same AA, within the context of competitive factors present. NexTier's average quarterly LTD ratio for the evaluation period was 80.9 percent. This ratio is lower than the quarterly average LTD ratio for competitor financial institutions at 88.5 percent. Direct competitor financial institutions included Pennsylvania banks with assets both lower than and greater than NexTier, which ranged \$371 million and \$3.9 billion. While these banks operate within the same counties as NexTier, a comparison of similarly situated institutions cannot be performed for this ratio since the asset size of NexTier is an outlier at \$1.2 billion.

Lending activity over the evaluation period was measured by comparing the thirteen quarter average LTD ratios reported by NexTier and its local competitive group. The thirteen quarter average LTD was calculated using financial data reported since the previous performance evaluation. The calculation included quarter-end financial data reported for each of the thirteen quarters from the fourth quarter of 2013 through the fourth quarter of 2016.

Lending in Assessment Area

NexTier Bank originated a majority of its residential mortgage loans inside its AA.

In order to evaluate NexTier's lending in its AA over the evaluation period, we measured and analyzed NexTier's record of originating loans inside compared to those originated outside of its AA. This analysis considered NexTier's lending record on a bank-wide basis. We compared the volume and dollar amounts of residential loans originated within the AA to the volume and dollar amounts of loans outside of the AA originated by NexTier during 2013 and 2015. NexTier's residential real estate loan originations included loans for purposes of home purchase, home improvement, and home refinance. NexTier originated 62.2 percent by number and 54.3 percent by dollar amount of loans in the AA.

Lending to Borrowers of Different Incomes

NexTier Bank's record of originating residential real estate loans to borrowers reflects an excellent penetration among AA borrowers of different income levels based on the 2010 US Census data. The following table details the distribution of residential real estate loans originated by NexTier during the evaluation period in its AA, among borrowers of different income levels.

Table 1 – NexTier Bank AA Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans
Home Purchase	15.89%	7.11%	16.66%	21.34%	21.41%	33.47%	46.22%	38.08%
Home Improvement	15.89%	10.48%	16.66%	18.10%	21.41%	28.57%	46.22%	42.86%
Home Mortgage Refinance	15.89%	15.56%	16.66%	22.22%	21.41%	31.85%	46.22%	30.37%

Source: Data reported under HMDA; 2010 U.S. Census data.

The percentage of home purchase loans is lower than the percentage of low-income families in the AA, and the percentage of home improvement loans to low-income families is lower than the percentage of low-income families in the AA. The percentage of home mortgage refinance loans is near the percentage of low-income families in the AA. Considering that a low-income person earns less than \$34,850, and the average median home price is \$158 thousand within the bank's AA, the level of penetration to low-income families is reasonable. Also, market competition for home mortgages is high. According to 2015 peer mortgage market share data, home purchase, home improvement, and home refinance lending in the AA is dominated by larger institutions with the top six institutions holding approximately 34 percent of the market share. NexTier Bank is ranked 35th with a market share of 0.66 percent.

The percentage of home purchase, home improvement, and home mortgage refinance loans to moderate-income families exceeds the percentage of moderate-income families in the AA. This is excellent penetration for borrower distribution.

Geographic Distribution of Loans

NexTier Bank's record of originating residential mortgage loans reflects excellent dispersion among AA geographies of different income levels. In addition, NexTier meets the market share for low-income families and exceeds the market share for moderate-income families.

Residential Real Estate Lending

NexTier has demonstrated an excellent dispersion in its origination of residential real estate loans to geographies of different levels within the AA.

Data collected and reported by NexTier in accordance with HMDA requirements was analyzed. The analysis was performed to assess NexTier's record of distributing its residential real estate loan originations among AA geographies of different income levels. Demographic data compiled during the 2010 U.S. census indicates that a very low amount of owner-occupied housing is located in low- income geographies in NexTier's AA.

There is one low-income and 14 moderate-income geographies in the AA. Additionally, less than 12 percent of owner-occupied housing is in low- and moderate-income geographies. The majority of owner-occupied housing is located in middle-income geographies at 52.9 percent.

The following table details the distribution of residential real estate loans originated by NexTier during the evaluation period in its AA geographies of different income levels.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Bank Loans	% of AA Owner Occupied Housing	% of Bank Loans	% of AA Owner Occupied Housing	% of Bank Loans	% of AA Owner Occupied Housing	% of Bank Loans
Home Purchase	0.51%	0.41%	10.56%	20.49%	52.88%	71.72%	36.05%	7.38%
Home Improvement	0.51%	0.00%	10.56%	12.26%	52.88%	79.25%	36.05%	8.49%
Home Refinance	0.51%	0.00%	10.56%	20.59%	52.88%	73.53%	36.05%	5.88%

Source: Data reported under HMDA; 2010 U.S. Census data.

NexTier's record of originating home purchase loans within low-income AA geographies is near to the ratio of owner-occupied housing available within low-income AA geographies. The bank's record of originating home improvement and home mortgage refinance loans within low-income AA geographies is lower than the ratio of owner-occupied housing available within low-income AA geographies. For the overall market share, the bank is lower than the low-income family AA geographies but is considered reasonable.

NexTier's record of originating home purchase, home improvement, and home-mortgage refinance loans within moderate-income AA geographies exceeds the ratio of owner-occupied housing available within moderate-income AA geographies. Additionally, the overall market share exceeds the moderate-income family AA geographies.

Responses to Complaints

NexTier Bank has not had any complaints made relating to its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

NexTier's CD performance represents an excellent responsiveness to the CD needs of its AA through CD loans, qualified investments, and CD services. The analysis of NexTier's performance takes into consideration the bank's capacity to respond to the CD needs of the bank's AA, along with the availability of CD opportunities.

Number and Amount of Community Development Loans

NexTier provided an excellent level of qualified loans that were responsive to the community development needs and initiatives of the AA. During the evaluation period, the bank originated 24 community development loans totaling \$38.3 million, representing 29.7 percent of Tier 1 Capital.

Number and Amount of Community Development Loans Inside the AA

During the evaluation period, the bank originated 17 community development loans totaling \$27.3 million. The responsiveness to community development needs has a positive impact on the lending test. These CD loans supported such activities as affordable housing, workforce development, job creation, economic development, financial stability, and essential community services for low- and moderate-income individuals and neighborhoods in the AA. Examples of CD loans include:

- Two loans totaling \$7.4 million to complete a 76-room hotel that will be located in a moderate income area. The hotel will generate additional business revenue, will bring new businesses to the local area, and will create jobs for local residents.
- A \$6.8 million loan to provide to construct, equip, and furnish a medical office. The medical office provides health care services to low-income individuals who are eligible for Medicare or Medicaid.
- A \$2.5 million loan to fund a development in a moderate income census tract.
- A \$2.3 million loan to a non-profit organization that provides direct care and assistance to individuals and families. The organization targets low-income families.
- A \$2 million loan to provide community housing for individuals with intellectual disabilities. Services assist individuals to enable them to successfully live and fully participate in the community.
- A \$1.2 million loan to complete the second phase of a revitalization project. The area is in a moderate census tract.

- A \$1.2 million loan to an independent family owned manufacturer who provides jobs to moderate income areas. The loan is a working line of credit for the business.

Number and Amount of Community Development Loans Outside the AA

CD loans outside of the bank's AAs had a positive impact on the bank's overall CRA performance. NexTier received positive consideration for these broader statewide regional area CD loans.

Within the evaluation period, the bank originated seven CD loans totaling \$11 million. These seven CD loans supported a medical center for low-income individuals. The facility is located within a moderate-income census tract and is assessable to low-income individuals within the bank's AA.

- Seven loans totaling \$11 million for a non-profit community health medical center. This medical center is under contract with the state and local government to provide health care services to low-income individuals who are eligible for Medicare or Medicaid. Loans provided funding for construction and equipment of the facility, along with infrastructure expenditures.

Number and Amount of Qualified Investments

The number and dollar amount of investments and donations inside, or inside and outside, NexTier's AA demonstrates excellent responsiveness to CD needs in the AA. Within the evaluation period, the bank provided six qualified investments within the AA and 115 grants that totaled \$688 thousand both inside and outside the AA.

Some of these include:

- Six investments, totaling \$3.0 million, for projects which will provide affordable housing to senior adults, low- to moderate-income families, and people with special housing needs. The investments will also provide for capital projects, such as local repair and revitalization projects. These projects take place in low- to moderate-income census tracts.
- Multi-year donations to more than 50 organizations to support economic development, youth programs, scholarships, and community services. Contributions to the various organizations range in amounts from \$100 to \$54 thousand.
- A contribution in the amount of \$54 thousand a year, for three years, to support local community-based charitable purposes in the areas of health, education, economic development, human resources, and historical, cultural, and environmental activities.

- Contributions in amounts from \$35 thousand to \$37.5 thousand a year, for three years, to an education improvement organization under the Earned Income Tax Credit (EITC) Program to provide work-based experiences to 11th and 12th grade students in the AA.

Number and Amount of Qualified Grants Outside the AA

CD grants outside of the bank's AAs had a positive impact on the bank's overall CRA performance. NexTier received positive consideration for these broader statewide regional area CD grants.

Within the evaluation period, the bank originated 12 CD grants totaling \$105 thousand. These grants benefited low- to moderate-income areas and areas designated underserved and distressed.

Extent to which the Bank Provides Community Development Services

Community Development Services

NexTier bank has excellent responsiveness in providing community development services within their AA. Bank management and employees spent a significant number of hours providing financial and technical expertise to 24 separate organizations that provide community services to low- and moderate-income individuals and families, support affordable housing, and promote economic development within their AA. NexTier Bank dedicated an average of 437 hours per year during the evaluation period towards community development services. Examples of activities and organizations served include:

- NexTier bank provides financial literacy workshops to low- and moderate-income residents through a local foundation.
- A NexTier bank employee serves on the board for a local charity that conducts fundraising to provide affordable housing to low- and moderate-income residents.
- A NexTier bank employee serves on the board of a local charity that provides services and support to low- and moderate-income children in their area.
- NexTier bank employees sit on the boards of four entities focused on providing economic development and revitalization for low- and moderate-income areas within their AA.
- A member of Management is an advisory board member/treasurer for a local charity that provides support to low- and moderate-income residents.
- NexTier bank employees provide low- and moderate-income residents classes on banking and financial literacy.

Retail Banking Services

NexTier offers retail banking services that are readily accessible to individuals of various income levels and in geographies throughout the AA. The bank currently operates 24 full service branches in the AA. The bank operates four branches in moderate-income geographies, and the additional 20 branches are in middle- and upper-income geographies. The bank did not open or close any branches during the evaluation period.

Services do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and/or individuals. Banking hours and services are provided Monday through Friday at all branches. The bank operates 12 branches open on Saturday, one of which is located in a moderate-income geography. Banking hours typically run 8:30AM to 5:00PM for Monday through Friday, and from 9:00AM to 12:00PM on Saturday. The bank operates sixteen branches with extended Friday hours, two of which are located in moderate-income geographies.

All branches offer a full range of traditional deposit and loan products. The bank's deposit products include basic checking, savings, CDs, and IRA accounts as well as a variety of loan products including mortgages, home equity loans and lines of credit, and consumer loans. ATM services are available at 20 locations within the AA. The bank maintains a membership in an ATM network that offers fee-free transactions with 670 ATMs and 29 banks worldwide.

The bank also offers free online banking and online bill pay through their transactional Internet website and on-line banking services. Customers are provided with free touch-tone telephone banking. Additionally, customers have the ability to use peer-to-peer and account-to-account transactions through the bank's on-line banking platform.

Responsiveness to Community Development Needs

NexTier participated in various CD loans, investments and services that reflects excellent responsiveness to its AA needs. Since the bank demonstrated excellent responsiveness to the credit needs within its AA, CD activities outside of the bank's AAs had a positive impact on the bank's overall CRA performance. The bank received positive consideration for these CD activities outside of its AA that benefited low- to moderate-income areas and areas designated underserved and distressed.