



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**Public Disclosure**

**April 24, 2006**

Community Reinvestment Act  
**Performance Evaluation**

**The First National Bank of Berwick  
Charter Number: 568**

**111 West Front Street  
Berwick, PA 18603**

**Office of the Comptroller of the Currency**

**Northern Pennsylvania Field Office  
60 Public Square, Suite 602  
Wilkes-Barre, PA 18701**

*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

**Institution's CRA Rating:** This institution is rated **Outstanding**.

The following table indicates the performance level of **The First National Bank of Berwick** with respect to the Lending, Investment, and Service Tests:

*[Indicate the performance level under each criterion by marking an "X" in the appropriate row.]*

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The bank's level of lending is excellent;
- A substantial majority of home mortgage loans and small loans to businesses are originated within the assessment areas (AAs);
- The geographic distribution of home mortgage and small loans to businesses is excellent;
- The borrower distribution of home mortgage loans is excellent;
- Community development loans had a positive impact on the lending test rating;
- The bank has a good level of community development investments and is responsive to the identified credit needs in the AAs;
- Retail services are accessible to geographies and individuals of different income levels in the AAs; and,
- The bank provides a good level of community development services in the AAs.

## 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**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 do 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on 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 refinancings, 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

The First National Bank of Berwick (FNBB) is an independent banking institution founded in 1864 and headquartered in Berwick, Pennsylvania. The bank has offices located in the northeastern Pennsylvania counties of Columbia, Luzerne, and Montour. FNBB is a retail intrastate bank with ten full service branches. All of the branches also have on-site ATMs.

As of December 31, 2005, total bank assets were \$510 million. Total loans were \$235 million and total deposits were \$367 million.

FNBB's last Public Evaluation (PE) was dated February 25, 2002 and the overall CRA rating assigned was **Outstanding**. Since the previous PE, FNBB has closed one branch and has opened one new branch. There are no financial or legal impediments to hinder FNBB's ability to help meet its community credit needs. FNBB has no operating subsidiaries.

FNBB is a wholly owned subsidiary of First Keystone Corporation (FKC), a one-bank holding company also headquartered in Berwick, Pennsylvania. FNBB is a community bank with primary products that include residential mortgages, small business loans, and consumer installment loans. As of December 31, 2005, net loans and leases represented 45% of total assets. The loan portfolio is comprised of residential mortgages (40%), commercial loans (54%), and consumer loans (6%). Net Tier 1 Capital is \$46 million as of December 31, 2005. Competition in the area is very strong and includes local community banks, regional banks, national non-bank financial institutions, and mortgage companies.



# Scope of the Evaluation

## Evaluation Period/Products Evaluated

The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) is from January 1, 2002 through December 31, 2005. For small loans to businesses, the evaluation period is also from January 1, 2002 to December 31, 2005. For community development loans, and the Investment and Service Tests, the evaluation period is from February 25, 2002 through April 24, 2006. An analysis of small loans to farms was not meaningful and was not conducted as only six small farm loans were originated. Agricultural lending is not a primary business line of FNBB. Therefore, tables 7 and 12 are not included in the PE.

During the lending test, FNBB's record of originating small business and residential mortgage loans was evaluated. FNBB's record of originating residential mortgages was weighted more heavily than its record of originating loans to small businesses, since residential mortgage lending represents the majority of FNBB's lending activity. FNBB's record of originating residential mortgage loans was measured by evaluating FNBB's record of originating home purchase, home improvement, and home mortgage refinance loans. FNBB originated a nominal number of residential mortgage loans for multi-family housing over the evaluation period. Therefore, an analysis of FNBB's record of originating multi-family residential mortgage lending would not have been meaningful and was not performed. Similarly, FNBB originated a nominal number of small loans to farms over the evaluation period. Therefore, an analysis of FNBB's record of originating small loans to farms would not have been meaningful and was not performed.

For the Lending Test, which measures the banks record of originating small business and residential mortgage loans, it is important to note that overall evaluation period covers three separate time periods since assessment area (AA) demographics were affected by census changes resulting from the 2000 Census. As a result of the 2000 Census, beginning in January 2004, the Office of Management and Budget (OMB) implemented changes, which affected the demographic information against which bank performance is compared. Small business and residential loans originated during 2002 were compared against 1990 Census Data and corresponding area demographics. Small business and residential mortgage loans originated during 2003 were compared against 2000 Census Data and corresponding area demographics. Small business and residential mortgage loans reported during 2004 and 2005 were compared against 2000 Census Data and corresponding area demographics impacted by the OMB changes. Because census information and OMB changes affected demographic information, loan data for the three time periods was analyzed separately.

The evaluation period for CD loans, the Investment Test and the Service Test is from February 25, 2002 through April 24, 2006. The Investment Test included the portion of qualified investments originated in prior evaluation periods, which remained outstanding as of the end of this evaluation period. Conclusions related to CD loans and investments considered the number of originations and purchases as well as the dollar amounts disbursed over the evaluation period.

## Data Integrity

During February of 2005, FNBB's publicly filed information and registers were examined by the OCC to verify the accuracy of the data. These registers contain loan data for home mortgages and small

businesses. We found the loan data to be accurate, with the exception of a few minor errors, which were corrected.

Community development loans, investments, and services submitted by management were also reviewed at that time and again during this examination to ensure that they met the regulatory definition of community development.

### **Selection of Areas for Full-Scope Review**

FNBB has two delineated AAs, which are comprised of portions of the Scranton/Wilkes-Barre/Hazleton MSA (SWH MSA) and the Non-MSA of Columbia and Montour Counties. FNBB's AAs geographies were impacted by the OMB changes resulting from the 2000 Census Data, which became effective as of January 2004.

For 2002 and 2003, FNBB's AAs consisted of portions of the SWH MSA, including all of Columbia County and the Non-MSA which consisted of all of Montour County.

For 2004 and 2005, as a result of the OMB changes, FNBB's AAs now consists of portions of the SWH MSA, and a Non-MSA's including all of Columbia and Montour counties.

During the entire evaluation period FNBB operated the majority of its branch offices, derived the majority of its deposits, and originated the majority of its loans in Columbia County. Therefore a full scope review was performed on the MSA and Non-MSA AAs.

### **Ratings**

The bank's overall rating is based on full-scope reviews of both AAs. Home mortgage products received more weight in evaluating the Lending Test than small loans to businesses. Approximately 69.7% of the loans originated during the evaluation period were home mortgage loans in the AAs, with small business loans accounting for, nearly all of the remaining 23.6%. Six small loans to farms, totaling .3%, were also originated during the assessment period. Only one multi-family housing loan was originated.

### **Other**

During our examination, we contacted two community groups. Our discussions were completed via the telephone and both groups provided us with information regarding the credit needs of the community as well as information regarding the areas small business needs in general. During our discussions, and from information obtained throughout the examination, we learned that the primary credit need is for low rate small loans for small businesses which would facilitate current business expansion, as well as, attract additional small businesses which in turn would add local jobs and tax revenue. Both contacts also agreed that community banks in general and FNBB in particular, were doing a good job of meeting these needs.

In general, community development opportunities in the bank's AAs are fairly limited and competition for these types of investments is strong. Most of the development opportunities are in the Wyoming Valley, Hazleton, and Scranton areas which are outside the bank's general market area.

## 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.

# Conclusions with Respect to Performance Tests

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Outstanding". Based on full-scope reviews, the bank's performance in the Non-MSA and the SWH MSA is excellent.

### Lending Activity

Refer to Tables 1- Lending Volume and Table 1- Other in appendix C for the facts and 2004-2005 data used to evaluate the bank's lending activity.

### Non-MSA: Columbia and Montour Counties

Lending activity in the Non-MSA AA of Columbia and Montour Counties is excellent. The bank's lending patterns are reflective of the credit needs of the community.

For 2002 and 2003, FNBB's Non-MSA AA consisted of all of Montour County. For 2004 and 2005, as a result of the OMB changes, FNBB's Non-MSA AA now consists of all of Columbia and Montour counties.

In 2002 and 2003, 1% of the bank's lending was done in this AA and was centered in HMDA products. Purchase, home improvement, and refinance loans represent 57%, 14% and 29% respectively, of all mortgages originated in this AA. The volume of multi-family loans made by the bank is not significant. Therefore, an analysis of these loans is not meaningful.

Small business credit is also an important credit need in the AA. In 2002-2003, one percent of the bank's small business lending was in this AA. The volume of small farm credit lending based upon the credit demand at the bank was not significant.

In 2004 and 2005, 66% of the bank's lending was done in this AA and was centered in HMDA products. Purchase, home improvement, and refinance loans represent 30%, 38% and 32% respectively, of all mortgages originated in this AA. The volume of multi-family loans made by the bank is not significant. Therefore, an analysis of these loans is not meaningful.

Small business credit is also an important credit need in the AA. In 2004-2005, sixty-one percent of the bank's small business lending was in this AA. The volume of small farm lending was not significant, with only 6 total loans to small farms originated throughout the full assessment period.

FNBB has six branches and 69% of its deposits in this AA which includes all 15 census tracts in Columbia County and all 5 census tracts in Montour County. In 2004, the U.S. Office of Management and Budget changed MSA boundaries. As a result, Columbia County is no longer included in the Scranton/Wilkes-Barre/Hazleton MSA. Columbia County is now included in FNBB's Non-MSA AA.

In Columbia County, FNBB is ranked first for its market share of deposits with a 27% market share as of June 30, 2005. In Montour County, FNBB is ranked third for its market share of deposits with

12.64% as of June 30, 2005.

Based upon 2004 HMDA Peer Mortgage Data, FNBB ranked third out of 211 lenders in this AA with a 7.97% market share. Two large regional banks dominate the market.

Based on 2004 HMDA Peer Mortgage Data:

- Market share for home purchase, home improvement and refinance loans is 7.76%, 16.11% and 5.37% respectively;
- For home purchase lending, FNBB ranked third out of 124 lenders;
- For home improvement lending, FNBB ranked first out of 50 lenders;
- For refinance lending, FNBB ranked third out of 169 lenders.

Based on the 2004 Peer Small Business Data, FNBB ranked fifth out of 40 lenders.

### **Scranton/Wilkes-Barre/Hazleton MSA**

Lending activity in the SWH MSA is also excellent. The banks lending patterns are reflective of the credit needs of the community.

For 2002 and 2003, FNBB's SWH MSA AA consisted of portions of the SWH MSA, including all of Columbia County. For 2004 and 2005, as a result of the OMB changes, FNBB's SWH MSA AA now consists of portions of the SWH MSA, excluding all of Columbia County.

In 2002-2003, approximately 99% of the bank's lending was done in this AA. Purchase, home improvement, and refinance loans represent 38%, 24% and 38% respectively, of all mortgages originated in this AA. The volume of multi-family loans made by the bank is not significant. Therefore, an analysis of these loans is not meaningful.

In 2004-2005, approximately 34% of the bank's lending was done in this AA. The bank's lending to individuals was centered in HMDA products. Purchase home improvement, and refinance loans represent 29%, 37% and 34% respectively, for all mortgages originated. The volume of multi-family loans made by the bank is not significant therefore an analysis of these loans is not meaningful.

Small business credit is also an important credit need of the AA. In 2004-2005 ninety-nine percent of the bank's small business lending was done in this AA. The volume of small farm lending was not significant.

FNBB has four branches and 31% of its deposits in this AA which includes 91 of the 103 census tracts in Luzerne County. In 2004, the U.S. Office of Management and Budget changed MSA boundaries. As a result, the SWH MSA, as it existed in 2003, contained all of the census tracts of Luzerne, Lackawanna, Wyoming, and Columbia counties. In 2004 the SWH MSA was revised to no longer include Columbia County, which became a Non-MSA and expanded the bank's Non-MSA AA. In the MSA, FNBB is now ranked 15<sup>th</sup> for its market share of deposits with a 1.15% as of June 30, 2005.

Based upon 2004 HMDA Peer Mortgage Data FNBB ranked 13<sup>th</sup> out of 249 lenders in this AA with a 1.08% market share. Several non-bank mortgage lenders and other large regional banks dominate the market.

Based on 2004 HMDA Peer Mortgage Data:

- Market share for home purchase, home improvement and refinance loans is 1.32%, 3.26% and .71% respectively;
- For home purchase lending, FNBB ranked 20<sup>th</sup> out of 194 lenders;
- For home improvement lending, FNBB ranked third out of 86 lenders;
- For refinance lending, FNBB ranked 27<sup>th</sup> out of 189 lenders;

## **Distribution of Loans by Income Level of the Geography**

### **Home Mortgage Loans**

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's 2004-2005 home mortgage loan originations and purchases. The volume of multi-family loans made by FNBB is not significant therefore an analysis of these loans is not meaningful.

### **Non-MSA: Columbia and Montour Counties**

Geographic distribution is excellent in the AA. Home purchase, home improvement, and home refinance loan geographic distribution is excellent.

For 2002 and 2003 FNBB's Non-MSA AA consisted of all of Montour County. Based on 1990 and 2000 Census Data there are no low- or moderate-income geographies, in this AA, therefore any analysis would not be meaningful.

For 2004 and 2005, as a result of the OMB changes, FNBB's Non-MSA AA now consists of all of Columbia and Montour counties.

During 2004-2005, due to the OMB changes and using the 2000 Census Data, there are no low-income geographies in this AA. The percentage of home purchase, home improvement, and home mortgage refinance loans made in moderate-income geographies significantly exceeds the percentage of owner-occupied housing. The bank's market share percentage of loans made in moderate-income geographies also exceeds the bank's overall market share for each of these type of loans.

### **Scranton/Wilkes-Barre/Hazleton MSA**

Geographic distribution is excellent in the AA. Home purchase, home improvement and home refinance loan geographic distribution is excellent.

For 2002 and 2003 FNBB's SWH MSA AA consisted of portions of the SWH MSA including all of Columbia County. For 2004 and 2005, as a result of the OMB changes, FNBB's SWH MSA AA now consists of portions of the SWH MSA, and excludes all of Columbia County.

For 2002, based on the 1990 Census Data, there are no low-income geographies in this AA. The percentage of home purchase, home improvement and home mortgage refinance loans made in moderate-income geographies significantly exceeds the percentage of owner-occupied housing. The bank's market share percentage of loans made in moderate-income geographies also exceeds the bank's overall market share in moderate-income geographies.

For 2003, based on the 2000 Census Data, there are no low-income geographies in this AA. The percentage of home purchase, home improvement, and home mortgage refinance loans made in moderate-income geographies significantly exceeds the percentage of owner-occupied housing. The bank's market share percentage of loans made in moderate-income geographies also exceeds the bank's overall market share for moderate-income geographies

For 2004-2005, based on the 2000 Census Data, there are no low-income geographies in this AA. The percentage of home purchase, home improvement and home refinance loans made in moderate-income geographies is less than the percentage of owner-occupied units. The bank's market share percentage of these type of loans, however, significantly exceeds the bank's overall market share for these loans in the AA.

### ***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and 2004-2005 data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

### **Non-MSA: Columbia and Montour Counties**

The geographic distribution for small loans to businesses is excellent in this AA. For 2002 and 2003 FNBB's Non-MSA AA consisted of all of Montour County. Based on 1990 and 2000 Census Data, there were no low -or moderate-income geographies, in this AA, therefore, an analysis would not be meaningful. For 2004-2005, as a result of the OMB changes, FNBB's Non-MSA AA now consists of all of Columbia and Montour Counties.

For 2004-2005, due to OMB changes and using the 2000 Census Data, the geographic distribution is excellent in this AA. FNBB's small loans to businesses in moderate-income geographies, significantly exceeds the percentage of small businesses that are located in these geographies. FNBB's market share percentage of these type of loans also significantly exceeds the bank's overall market share in this AA. There are no low-income geographies in this AA.

### **Scranton/Wilkes-Barre/Hazleton MSA**

Geographic distribution is adequate in this AA. For 2002 and 2003, FNBB's SWH MSA AA consisted of portions of the SWH MSA, including all of Columbia County. For 2004 and 2005, as a result of the OMB changes, FNBB's SWH AA now consists of portions of the SWH MSA and excludes all of Columbia County.

For 2002, based upon the 1990 Census Data, the geographic distribution is adequate in this AA. FNBB's small loans to businesses in moderate-income geographies, is less than the percentage of small businesses that are located in these geographies. FNBB's market share percentage of these type of loans significantly exceeds the bank's overall market share for these type loans in this AA. There are no low-income geographies in this AA.

For 2003, based upon the 2000 Census Data, the geographic distribution is excellent in this AA. FNBB's small loans to businesses in moderate-income geographies exceed the percentage of small businesses that are located in these geographies. FNBB's market share percentage of these type of loans also exceeds the bank's overall market share for these type of loans in this AA. There are no low-income geographies in this AA.

For 2004-2005, based upon the 2000 Census Data, the geographic distribution is adequate in the AA. FNBB's small loans to businesses in moderate-income geographies are less than the percentage of businesses that are located in these geographies. The bank's market share percentage of these type of loans, however, is significantly higher than the bank's overall market share in this AA. There are no low-income geographies in this AA.

## **Lending Gap Analysis**

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in FNBB's lending patterns.

### ***Inside/Outside Ratio***

An analysis of the bank's lending within its assessment areas was performed at the bank level as opposed to the individual AA levels. A substantial majority (91.1%) of the home mortgage loans, small loans to businesses, and community development loans originated by FNBB over the evaluation period were within its AA's. For HMDA products 92.06% of all originations were within the AA's. Ninety percent of all purchase money mortgages originated were in the AA's, 93.6% of all home improvement loans were in the AA's, and 92.5% of all refinances were in the AA's. Eighty-eight percent of small loans to businesses and 100% of the CD loans were within its AA's. This performance was positively factored into the overall analysis of the geographic distribution of lending by level of geography.

## **Distribution of Loans by Income Level of the Borrower**

The borrower distribution of FNBB's home mortgage loans reflects excellent distribution among borrowers of different income levels in the AAs. Small loans to businesses also indicate excellent distribution.

We considered demographic factors including the high cost of housing compared to the median family income of a low-income person, and the high percentage of individuals below the poverty level, in our home mortgage analysis.

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's 2004-2005 home mortgage loan originations and purchases.

Borrow distribution for home mortgage lending is excellent when considering the difficulty that low- and moderate-income individuals have in purchasing a home in the AAs. The median cost of housing in the AAs has increased significantly as compared to the increase in the median family income levels.

### **Non-MSA: Columbia and Montour Counties**

In 2002, the median cost of housing in the Non-MSA AA (Montour County only) is \$61,848. The HUD updated median family income for 2002 is \$41,100. A low-income individual earns less than \$20,550. A moderate-income individual earns at least \$20,550 but less than \$32,880. Additionally, 8% of the households are below the poverty level. In 2003, the median cost of housing in the Non-MSA AA (Montour County only) rose to \$93,296. The HUD updated median family income for 2003 is \$47,400.



A low-income individual earns less than \$27,300. A moderate-income individual earns at least \$27,300 but less than \$37,920. Additionally, 8% of households are below the poverty level.

In 2004, the OMB changed the MSA boundaries. In 2004, FNBB's Non-MSA AA included both Montour and Columbia Counties. The 2004 median cost of housing in the newly defined Non-MSA AA fell slightly to \$88,458. The HUD updated median family income for 2004 is \$48,200. A low-income individual earns less than \$24,100. A moderate-income individual earns at least \$24,100 but less than \$38,560. Additionally, 11% of households are below the poverty level.

### ***Home Purchase Lending***

Borrower distribution for home purchase loans is excellent. During 2002, there was one home purchase loan made in the Non-MSA AA (Montour County) and it was not made to a low- or moderate-income borrower. When considering FNBB's overall percentage of market share is less than one percent and the affordability of housing for low-and moderate-income individuals as discussed above, this performance is adequate.

During 2003, there were no home purchase loans made to low-income borrowers in the Non-MSA AA (Montour County only). In 2003, the percentage of loans made to moderate-income borrowers is significantly higher than the percentage of moderate-income families in the Non-MSA AA. FNBB's percentage of market share to moderate-income borrowers is above its overall market share. This performance is excellent when considering the affordability of housing for a moderate-income individual as discussed above.

During 2004-2005, the percentage of home purchase loans to low-income borrowers in the Non-MSA AA (Montour and Columbia Counties) is equal to the percentage of low-income families in the Non-MSA AA. FNBB's market share to low-income borrowers exceeds the bank's overall market share of home purchase loans. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Non-MSA AA. FNBB's percentage of market share to moderate-income borrowers is above its overall market share. This performance is excellent.

### ***Home Improvement Lending***

Borrower distribution for home improvement lending is excellent. During 2002, there were no home improvement loans made in the Non-MSA AA (Montour County only). During 2003, there was one home improvement loan made in the Non-MSA AA (Montour County) and it was not made to a low- or moderate-income borrower. When considering FNBB's overall percentage of market share is less than two percent and the affordability of housing for low-and moderate-income individuals as discussed above, this performance is adequate.

During 2004-2005, the percentage of home improvement loans to low-income borrowers in Non-MSA AA (Montour and Columbia Counties) exceeds the percentage of low-income families in the Non-MSA AA. FNBB's market share to low-income borrowers exceeds the bank's overall market share of home improvement loans. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Non-MSA AA. FNBB's percentage of market share of loans to moderate-income borrowers exceeds its overall market share. This performance is excellent.

### ***Home Refinance Lending***

Borrower distribution for home refinance lending is excellent. During 2002, there was one home improvement loan made in the Non-MSA AA (Montour County) and it was not made to a low- or moderate-income borrower. When considering FNBB's overall percentage of market share is less than

one percent and the affordability of housing for low-and moderate-income individuals as discussed above, this performance is adequate.

During 2003, there was one home improvement loan made in the Non-MSA AA (Montour County) and it was not made to a low- or moderate-income borrower. When considering FNBB's overall percentage of market share is less than one percent and the affordability of housing for low-and moderate-income individuals as discussed above, this performance is adequate.

During 2004-2005, the percentage of home refinancing loans to low-income borrowers in the Non-MSA AA (Montour and Columbia Counties) is lower than the percentage of low-income families in the Non-MSA AA. FNBB's market share to low-income borrowers exceeds the bank's overall market share of home refinancing loans. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Non-MSA AA. FNBB's percentage of market share to moderate-income borrowers is above its overall market share. This performance is excellent.

### **Scranton/Wilkes-Barre/Hazleton MSA**

In 2002, the median cost of housing in the SWH MSA (including Columbia County) is \$54,602. The HUD updated median family income for 2002 is \$45,100. A low-income individual earns less than \$27,301. A moderate-income individual earns at least \$27,301 but less than \$43,682. Additionally, 13% of the households are below the poverty level. In 2003, the median cost of housing in the SWH MSA (including Columbia County) rose to \$82,181. The HUD updated median family income for 2003 is \$50,600. A low-income individual earns less than \$25,300. A moderate-income individual earns at least \$25,300 but less than \$40,480. Additionally, 13% of households are below the poverty level.

In 2004, the OMB changed MSA boundaries. Beginning in 2004, FNBB's SWH MSA AA no longer included Columbia County. As a result, 2004 median cost of housing in the newly defined SWH MSA AA fell slightly to \$80,601. The HUD updated median family income for 2004 is \$51,000. A low-income individual earns less than \$25,500. A moderate-income individual earns at least \$25,500 but less \$40,800. Additionally, 13% of households are below the poverty level.

### ***Home Purchase Lending***

Borrower distribution for home purchase lending is adequate. During 2002, the percentage of home purchase loans to low-income borrowers in the SWH MSA (including Columbia County) is significantly lower than the percentage of low-income families in the SWH MSA. The percentage of loans made to moderate-income borrowers is equal to the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to low- and moderate- income borrowers is lower than the bank's overall market share of home purchase loans. This performance is adequate when considering the affordability of housing for a low- and moderate-income individual as discussed above.

During 2003, the percentage of home purchase loans to low-income borrowers in the SWH MSA (including Columbia County) is lower than the percentage of low-income families in the SWH MSA. FNBB's market share to low-income borrowers is above the bank's overall market share of home purchase loans. The percentage of loans made to moderate-income borrowers is exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers is lower than its overall market share. This performance is adequate when considering the affordability of housing for a low- and moderate-income as discussed above.

During 2004-2005, the percentage of home purchase loans to low-income borrowers in the SWH MSA (excluding Columbia County) is lower than the percentage of low-income families in the SWH MSA. FNBB's market share to low-income borrowers is equal to the bank's overall market share of home purchase loans. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers is equal to its overall market share. This performance is adequate.

### ***Home Improvement Lending***

Borrower distribution for home improvement lending is excellent. During 2002, the percentage of home improvement loans to low-income borrowers in the SWH MSA AA (including Columbia County) is significantly lower than the percentage of low-income families in the SWH MSA. FNBB's percentage of market share to low-income borrowers is lower than the bank's overall market share. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers exceeds its overall market share. This performance is adequate when considering the affordability of housing for a low- and moderate-income person individual as discussed above.

During 2003, the percentage of home improvement loans to low-income borrowers in the SWH MSA (including Columbia County) is lower than the percentage of low-income families in the SWH MSA AA. FNBB's percentage of market share to low-income borrowers is equal to the bank's overall market share of home improvement loans. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers exceeds its overall market share. This performance is excellent when considering the affordability of housing for a low- and moderate-income individual as discussed above.

During 2004-2005, the percentage of home improvement loans to low-income borrowers in the 2004 SWH MSA AA (excluding Columbia County) is significantly lower the percentage of low-income families in the SWH MSA. FNBB's percentage of market share to low-income borrowers is lower than the bank's overall market share of home improvement loans. This performance is adequate. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers is lower than its overall market share. This performance is excellent when considering the affordability of housing for a moderate-income individual as discussed above.

### ***Home Refinance Lending***

Borrower distribution for home refinance lending is good. During 2002, the percentage of refinances to low-income borrowers in the SWH MSA (including Columbia County) is significantly lower than the percentage of low-income families in the SWH MSA. FNBB's percentage of market share to low-income borrowers is equal to the bank's overall market share of home refinancing loans. This performance is adequate. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers is equal to its overall market share. This performance is good when considering the affordability of housing for a moderate-income individual as discussed above.

During 2003, the percentage of home refinancing loans to low-income borrowers in the SWH MSA (including Columbia County) is significantly lower than the percentage of low-income families in the SWH MSA. FNBB's percentage of market share to low-income borrowers is slightly above the bank's overall market share of home refinancing loans. The percentage of loans made to moderate-income

borrowers exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers exceeds its overall market share. This performance is good when considering the affordability of housing for a low- and moderate-income individual as discussed above.

During 2004-2005, the percentage of home refinancing loans to low-income borrowers in the 2004 SWH MSA AA (excluding Columbia County) is lower than the percentage of low-income families in the SWH MSA. FNBB's market share to low-income borrowers exceeds the bank's overall market share of home refinancing loans. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the SWH MSA. FNBB's percentage of market share to moderate-income borrowers is equal to its overall market share. This performance is good when considering the affordability of housing for a low- and moderate-income individual as discussed above.

### ***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's 2004-2005 origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses is excellent, especially when considering the strong competition for these loans from very large regional banks and non-bank financial institutions.

### **Non-MSA AA: Columbia and Montour Counties**

During 2002, FNBB made no loans to small businesses (businesses with revenues of \$1 million or less) compared to 66% of the small businesses in the Non-MSA (Montour County only).

During 2003, small loans to small businesses (businesses with revenues of \$1 million or less) represents 100% of all loans to small businesses originated by FNBB compared to 62% of the businesses having revenues of \$1 million or less within the Non-MSA AA (Montour County only). The bank's lending to small businesses exceeds the percentage of small businesses in the AA. FNBB is not represented in the overall market share. The distribution by size of loan shows that all loan originations are for \$100,000 or less and substantially exceeds the percentage of small businesses in the AA. This is another indication that business lending is primarily to small businesses.

During 2004-2005, small loans to small businesses (businesses with revenues of \$1 million or less) represents 91% of all small loans to businesses originated by FNBB compared to 64% of the businesses within the Non-MSA AA (Montour and Columbia Counties). The bank's lending to small businesses substantially exceeds the percentage of small businesses in the AA. The market share of 13.35% for small loans made to small businesses substantially exceeds FNBB's overall market share of 5.29%. The distribution by size of loan shows that a substantial majority of the loan originations are for \$100,000 or less and substantially exceeds the percentage of small businesses in the AA. This is another indication that business lending is primarily to small businesses.

### **Scranton/Wilkes-Barre/Hazleton MSA**

During 2002, small loans to small businesses (businesses with revenues of \$1 million or less) represents 97% of all small loans to businesses originated by FNBB compared to 66% of the businesses within the SWH MSA AA (including Columbia County). The bank's lending to small businesses exceeds the percentage of small businesses in the AA. FNBB is not represented in the overall market share. The distribution by size of loan shows that a substantial majority of loan originations are for \$100,000 or less

and substantially exceeds the percentage of small businesses in the AA. This is another indication that business lending is primarily to small businesses.

During 2003, small loans to small businesses (businesses with revenues of \$1 million or less) represents 85% of all small loans to businesses originated by FNBB compared to 63% of the businesses within the SWH MSA AA (including Columbia County). The bank's lending to small businesses exceeds the percentage of small businesses in the AA. FNBB is not represented in the overall market share. The distribution by size of loan shows that a majority of loan originations are for \$100,000 or less and slightly exceeds the percentage of small businesses in the AA. This is another indication that business lending is primarily to small businesses.

During 2004-2005, small loans to small businesses (businesses with revenues of \$1 million or less) represents 89% of all small loans to businesses originated by FNBB compared to 64% of the businesses within the SWH MSA AA (excluding Columbia County). The bank's lending to small businesses exceeds the percentage of small businesses in the AA. The market share of 2.34% for small loans made to small businesses exceeds FNBB's overall market share of 1.01%. The distribution by size of loan shows that a substantial majority of the loan originations are for \$100,000 or less and substantially exceeds the percentage of small businesses in the AA. This is another indication that business lending is primarily to small businesses.

## **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. However, Table 5 does not separately list CD loans.

We determined through our community contacts and our internal research that limited opportunities for community development lending exist within the AAs. Competition for these loans is very strong from both large regional financial institutions and other community banks operating in the area.

We noted the following CD loans for the evaluation period.

- One bridge loan to a limited partnership formed by a local county housing corporation in the amount of \$342,136 for the acquisition and demolition of a former lumber yard for subdivision to make way for building housing for low-income elderly individuals in the AA.
- A second similar bridge loan to a limited partnership formed by a local county housing corporation in the amount of \$500,000 for the construction of affordable housing for victims of domestic abuse and young expectant mothers considered to be at risk.
- A third bridge loan, to a limited partnership, again formed by a local county housing corporation in the amount of \$200,000 for the acquisition of unimproved land to develop affordable housing for low-income elderly individuals in the AA.

## **Product Innovation and Flexibility**

Product innovation and flexibility had a neutral impact on the Lending Test conclusion. The bank offers standard loan products including first-time homebuyer's programs with reduced fees, and down payment and/or closing cost assistance for LMI individuals.

## **INVESTMENT TEST**

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

The bank's performance under the investment test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the AAs is good.

Investments in the AAs are good. During the evaluation period, FNBB made two new investment totaling \$784 thousand in their Non-MSA AA. The balance of an eligible investment, also within that bank's AA, from the prior assessment period, was also considered during our investment test. The remaining balance was \$365 thousand. We determined through our community contacts and our internal research that there are still limited opportunities for qualified investments and very strong competition exists for those few opportunities. These new investments, along with the prior period investment, address the identified need of affordable housing.

The new investments were accomplished through the formation of limited partnerships with another financial institution and a county housing corporation to construct new housing units for low-income elderly individuals and affordable housing for victims of domestic abuse and young expectant mothers considered to be at risk respectively. FNBB received tax credits for both these innovative, limited partnership investments.

Also, qualified grants and donations totaling \$10 thousand were made in the AAs and benefited both the Non-MSA and the MSA AAs. These grants and donations made during the evaluation period were to local non-profit organizations for various CD initiatives throughout the AAs.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the SWH MSA and Non-MSA is good.

### **Retail Banking Services**

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

FNBB's delivery systems are readily accessible to geographies and individuals of different income levels within both AAs based upon population demographics and locations of the bank's branches and ATMs. There are no low-income geographies in the AAs. There are no branches located in any of the nine moderate-income geographies in the SWH MSA AA nor is any branch located in the one moderate-income geography in the Non-MSA AA.

In the Non-MSA AA, FNBB closed a supermarket branch with an ATM located in a middle-income geography and opened a new branch in the same town in an upper-income geography. The primary reason for the move was the lack of business due to low visibility from not only the street but from within the store. The new branch is in close proximity to the old, therefore minimal inconvenience to existing customers. There are a total of six offices in the Non-MSA AA. An ATM was removed from a convenience store located in a middle-income geography in the Non-MSA AA. FNBB opened one new branch in the SWH MSA during this evaluation period, in a middle-income geography, for a total of four offices in this MSA AA.

The bank's ATM network offers an alternative delivery system for delivering retail banking services. In addition to the ten ATMs located at all of the branch offices, the bank maintains three cash-dispensing only ATMs at offsite locations. While there are no low-income geographies in the AAs, one of the bank's cash dispensing ATMs is located in a moderate-income geography. FNBB's ATM distribution in moderate-income geographies slightly exceeds the distribution of the population living in those geographies.

Banking hours and services provided Monday through Friday are supplemented by Saturday hours at the majority of banking facilities located in both AAs. One office, located in a supermarket, also offers Sunday hours. Eight out of the ten branches have drive-up facilities. The bank's traditional line of products and services are offered at all branches, including trust and financial services.

FNBB offers a variety of checking account products. One of the products is a no minimum balance, no monthly service charge checking account tailored for senior citizens on fixed incomes. The bank also provides these depositors with free checks and Travelers checks. The bank's basic personal checking account offers no monthly services charges, normally \$4.00 per month, with a minimum monthly balance of \$300 or more. Additionally, the bank offers a no minimum balance, no monthly service charge checking account product for non-profit charitable groups.

FNBB offers a variety of loan products. The "First Home-Mortgage Program", is available to low- and moderate-income eligible homeowners in the FNBB's AAs. FNBB will finance up to the lower of 95% of the purchase or construction price, or appraisal, for a maximum of \$95,000. Term is up to twenty years fixed rate based on a twenty-five year amortization

FNBB offers an Internet banking system that allows access to bank accounts for balance inquiries, transfer of funds, order new checks payment, and viewing check images. The twenty-four hour telephone banking system offers balance inquiries, transfer of funds, and payment of FNBB loans. During the evaluation period, FNBB began offering online Bill Payment free to its customers. Since the bank could not provide specific data on how low- and moderate-income individuals and geographies are impacted by these services, significant weight was not placed on these alternative delivery systems when drawing conclusions for the full scope AAs under the Service Test.

## Community Development Services

FNBB's performance in providing community development (CD) services to its AAs is good, despite the limited opportunities in the AAs and the high level of competition from other financial institutions. The bank provides a relatively high level of CD services and its CD services are responsive to the needs in the AAs. Bank employees and officers were engaged in seven organizations or programs providing technical and financial assistance that benefit low- and moderate-income individuals and economic development.

During the evaluation period, FNBB invested in an LMI elderly housing project in the MSA. (See also the **Investment Test**.) FNBB participated in this project along with another local financial institution and a county housing corporation. Three employees of the bank provided their financial expertise to this project for a period in excess of one year.

FNBB participates in a county housing program that educates first time homebuyers regarding home ownership. A bank employee has presented information on the mortgage application process, cost of home ownership, credit reports, etc. This program assists LMI homebuyers with closing costs and down payment assistance once they have successfully completed the educational program.

FNBB's Chief Executive Officer (CEO) serves as a board member of the Berwick Industrial Development Association, Inc. (BIDA). The BIDA helps small businesses find available land and buildings in Berwick such as Keystone Opportunity Zones (KOZs) available with reduced or no tax burden to move into the area, and helps with financial assistance through the Pennsylvania Economic Development Financial Assistance (PEDFA).

FNBB's CEO serves as an Advisory Board member of the Luzerne County Community College Workforce Development. The Workforce Development Division supports the college's mission by serving as a liaison with business, industry, educational, and economic development organizations throughout Northeast Pennsylvania. WCD works with regional constituents to initiate, refine, and deliver programs which support a well-trained workforce and to enhance the economic growth and community development of the region.

A FNBB assistant vice president (AVP) serves as the treasurer of the Luzerne County Housing Partnership. This organization funds community projects that are dedicated to the revitalization of the LMI neighborhoods of Luzerne County.

A FNBB employee is on the board of the Columbia County Housing and Redevelopment Authority (CCHRA). The CCHRA assists with rent payments for low- and moderate-income families. They also have a First Time Homeowners Program, providing help with closing costs and down payment for income eligible first time home buyers; low income housing for the elderly; build and sell low-income, one family homes and offer low-income housing to elderly in Bloomsburg, Berwick, and Benton.

Several FNBB employees are involved in the Berwick Salvation Army, one serving as Board member. Services provided to low- and moderate-income individuals include a soup kitchen, and holiday gift and food giveaways.

Several FNBB employees are involved in organizations that provide services geared to children in low- and moderate-income families such as Big Brothers/Big Sisters, Luzerne County Kiwanis Club, and Kid's Peace.



Several FNBB employees offer their financial expertise to organizations that provide food bank programs such as Columbia County Food Bank, Wilkes-Barre Commission on Economic Opportunity (CEO), St. Columba Food Bank, and St. Vincent's DePaul Soup Kitchen.

The FNBB CRA Officer is a board member of the Free Medical Clinic of Columbia County that provides low-income individuals free medical attention.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/10/02 to 12/31/05 Investment and Service Tests and CD Loans: 02/25/02 to 04/24/06	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Berwick (FNBB) Berwick, PA	Home Mortgages, Small Loans to Businesses and CD loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Scranton/Wilkes-Barre/Hazleton MSA #42540	Full-Scope	
Non-MSA: Columbia and Montour Counties	Full Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### Scranton/Wilkes-Barre/Hazleton MSA

2004 Demographic Information for Full-Scope Area: Scranton/Wilkes-Barre/Hazleton MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	63	0.00	14.29	74.60	11.11	0.00
Population by Geography	190,400	0.00	14.06	72.42	13.52	0.00
Owner-Occupied Housing by Geography	53,178	0.00	11.31	73.38	15.31	0.00
Businesses by Geography	13,671	0.00	10.62	74.65	14.73	0.00
Farms by Geography	256	0.00	5.47	79.30	15.23	0.00
Family Distribution by Income Level	50,125	20.33	19.03	23.12	37.52	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	19,730	0.00	20.01	71.34	8.65	0.00
Median Family Income	= \$ 43,893			Median Housing Value	= \$ 87,298	
HUD Adjusted Median Family Income for 2005	= \$ 51,300			Unemployment Rate	= 5.5%	
Households Below the Poverty Level	= 11.73%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2005 HUD updated MFI.

### Scranton/Wilkes-Barre/Hazleton MSA

FNBB's first AA consists of portions of the Scranton/Wilkes-Barre/Hazleton MSA, which includes Lackawanna, Luzerne, and Wyoming Counties in the northeastern region of Pennsylvania. FNBB operates in 91 of the 103 census tracts located in Luzerne County. Within this MSA, FNBB is ranked 16<sup>th</sup> for its market share of deposits and has 1.15% of the deposits based on the June 30, 2005 FDIC Summary of Deposits Market share report. FNBB operates four full service branches in this MSA. All of the branches also have ATM's.

Banking competition is very strong for both loans and deposits in the MSA. Competition exists from national institutions, large regional institutions, community banks and credit unions. Major banking competitors in the MSA include:

- PNC Bank, N.A., ranked 1<sup>st</sup> in deposit share (21.75%) with 36 offices;
- Manufacturers & Traders Tr. Co. ranked 2<sup>nd</sup> in deposit share (12.75%) with 18 offices;
- Wachovia Bank National Assn. 3<sup>rd</sup> in deposit share (11.33%) with 19 offices; and
- Community Bank National Assn. 4<sup>th</sup> in deposit share (8.27%) with 25 offices.

FNBB offers a traditional line of banking products for loans and deposits in this AA. The economy in the area is stable. Major employers in the Luzerne County portion of the MSA include: Federal State and Local Governments, Wyoming Valley Health Care Systems, Step by Step Inc., Hazleton Area School District, Onesource Inc. and Wal-Mart Associates, Inc.

## Non-MSA: Columbia and Montour Counties

2004 Demographic Information for Full-Scope Area: Non-MSA: Columbia and Montour Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	0.00	5.25	73.68	21.05	0.00
Population by Geography	82,387	0.00	6.97	73.10	19.93	0.00
Owner-Occupied Housing by Geography	23,148	0.00	5.73	72.08	22.19	0.00
Businesses by Geography	4,837	0.00	13.58	67.62	18.79	0.00
Farms by Geography	293	0.00	4.10	75.77	20.14	0.00
Family Distribution by Income Level	21,525	15.86	19.39	25.68	39.07	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,588	0.00	10.27	74.62	15.12	0.00
Median Family Income = \$ 41,475 HUD Adjusted Median Family Income for 2005 = \$ 48,350 Households Below the Poverty Level = 11.43%					Median Housing Value = \$ 78,158 Unemployment Rate = 5.7%-Col.Co. And 4.0% in Mon. Co.	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2005 HUD updated MFI.

## Non-MSA: Columbia and Montour Counties

FNBB's second AA consists of all of Columbia and Montour Counties in Central Pennsylvania. FNBB operates in this Non-MSA in all 15 census tracts in Columbia and all 5 census tracts in Montour Counties. Within Columbia County, FNBB is ranked first for its market share of deposits and has 27.13% of the deposits based on the June 30, 2005 FDIC Summary of Deposits Market share report. Within Montour County, FNBB is ranked third for its market share of deposits and has 12.64% of the deposits based on the June 30, 2005 FDIC Summary of deposits share Report. FNBB operates five full services branches and three remote cash dispensing ATM's in Columbia County, and one full service branch in Montour County. All of the branches also have ATM's.

Banking competition is also very strong for both loans and deposits in this AA. Competition exists from large regional banks, community banks and credit unions. Major banking competitors in Columbia County include:

- First Columbia Bank and Trust Co. ranked 2<sup>nd</sup> in deposit share (24.67%) with 8 offices;
- Columbia County Farmers National Bank ranked 3<sup>rd</sup> in deposit share (20.14%) with 7 offices;
- PNC Bank National Assn ranked 4<sup>th</sup> in deposit share (11.19%) with 4 offices;

Major Banking Competitors in Montour County include:

- FNB Bank National Assn. ranked 1<sup>st</sup> in deposit share (55.04%) with 3 offices;
- Sovereign Bank ranked 2<sup>nd</sup> in deposit share (22.99%) with 1 office; and

- Manufacturers & Traders Tr. Co. 4<sup>th</sup> in deposit share (9.34%) with 1 office.

FNBB offers a traditional line of banking products for loans and deposits in this AA. The economy in the area is stable. Major employers in Columbia County include: Pa. System of Higher Education, U.S. Government, Wise Foods Inc., Pa. State Government, Berwick Hospital, Magee Reiter Automotive Services. Major employers in Montour County include: Geisinger System Services, U.S. Government, Geisinger Medical Center, PA State Government, Geisinger Clinic, Danville Area School District, and Great Dane LP.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the

table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.
- Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.
- Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in



low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Berwick**

**Table 1. Lending Volume**

LENDING VOLUME 2005		Geography: BERWICK 2004 - 2005						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31,				
MA/Assessment Area (2005):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Non-MSA 2004	64.72	432	24,543	174	16,183	5	91	0	0	614	41,859	68.68
SCRWB MSA 2004	35.28	220	12,706	113	10,655	0	0	0	0	333	23,361	31.32

\* Loan Data as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2002 to December 31, 2005.

\*\*\* Deposit Data as of May 01, 2006. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Berwick

**Table 1. Other Products**

LENDING VOLUME 2005		Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31,				
MA/Assessment Area (2005):	% of Rated Area Loans (#) in MA/AA	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>														
Non-MSA 2004	0.00	0	0	0	0	0	0	0	0	0	0	0	0	68.68
SCRWB MSA 2004	0.00	0	0	0	0	0	0	0	0	0	0	0	0	31.32

\* Loan Data as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2005.

\*\*\* Deposit Data as of May 01, 2006. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Berwick

**Table 1. Other Products**

LENDING VOLUME 2005		Geography: BERWICK 2004 - 2005		Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31,	
MA/Assessment Area (2005):	Other Unsecured Consumer Loans		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
Non-MSA 2004	0	0	0	0	0
SCRWB MSA 2004	0	0	0	0	0

\* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2005.

Institution ID: First National Bank of Berwick

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE DECEMBER 31, 2005		Geography: BERWICK 2004 - 2005						Evaluation Period: JANUARY 1, 2004 TO							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% Owner Occ****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	133	67.86	0.00	0.00	5.73	20.30	72.08	63.91	22.19	15.79	7.87	0.00	18.58	7.70	4.44
SCRWB MSA 2004	63	32.14	0.00	0.00	11.31	3.17	73.38	85.71	15.31	11.11	1.50	0.00	0.65	1.89	0.78

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT DECEMBER 31, 2005			Geography: BERWICK 2004 - 2005						Evaluation Period: JANUARY 1, 2004 TO						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% Owner Occ****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	165	66.80	0.00	0.00	5.73	18.79	72.08	73.33	22.19	7.88	18.20	0.00	41.03	17.28	11.39
SCRWB MSA 2004	82	33.20	0.00	0.00	11.31	6.10	73.38	91.46	15.31	2.44	4.82	0.00	0.74	6.40	0.63

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2005			Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% Owner Occ Units****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	133	63.94	0.00	0.00	5.73	18.05	72.08	64.66	22.19	17.29	5.52	0.00	11.20	5.22	4.48
SCRWB MSA 2004	75	36.06	0.00	0.00	11.31	6.67	73.38	89.33	15.31	4.00	0.96	0.00	0.47	1.23	0.24

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY 31, 2005		Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004 TO DECEMBER					
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of MF Units***	% of MF Units****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	1	100.00	0.00	0.00	7.54	0.00	81.99	100.00	10.48	0.00	0.00	0.00	0.00	0.00	0.00
SCRWB MSA 2004	0	0.00	0.00	0.00	31.45	0.00	62.44	0.00	6.11	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.



**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2005			Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	174	60.63	0.00	0.00	13.58	32.18	67.62	54.02	18.79	13.79	5.29	0.00	18.06	4.38	2.20
SCRWB MSA 2004	113	39.37	0.00	0.00	10.62	4.42	74.65	87.61	14.73	7.96	1.01	0.00	0.60	1.26	0.43

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2003).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS TO DECEMBER 31, 2005		Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004					
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	5	100.00	0.00	0.00	4.10	0.00	75.77	80.00	20.14	20.00	25.00	0.00	0.00	31.25	0.00
SCRWB MSA 2004	0	0.00	0.00	0.00	5.47	0.00	79.30	0.00	15.23	0.00	5.26	0.00	0.00	6.25	0.00

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2003).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE 31, 2005		Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004 TO DECEMBER					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% BANK Loans <sup>1</sup>	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	130	68.06	15.86	14.62	19.39	24.62	25.68	22.31	39.07	38.46	8.93	14.02	10.04	6.97	8.37
SCRWB MSA 2004	61	31.94	20.33	8.20	19.03	21.31	23.12	37.70	37.52	32.79	1.62	1.18	1.55	2.57	1.05

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT DECEMBER 31, 2005		Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004 TO					
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Famili es***	% BANK Loans****	% BANK Loans <sup>2</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	160	66.95	15.86	18.75	19.39	26.25	25.68	26.88	39.07	28.13	17.70	23.61	24.07	13.97	14.12
SCRWB MSA 2004	79	33.05	20.33	11.39	19.03	30.38	23.12	27.85	37.52	30.38	4.72	3.26	3.79	6.18	5.14

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2005			Geography: BERWICK 2004 - 2005								Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% BANK Loans <sup>3</sup>	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans**	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non-MSA 2004	132	64.71	15.86	10.61	19.39	24.24	25.68	29.55	39.07	35.61	6.18	7.55	8.39	5.79	5.03
SCRWB MSA 2004	72	35.29	20.33	11.11	19.03	23.61	23.12	37.50	37.52	27.78	1.06	1.93	1.27	1.20	0.63

\* Based on 2004 Peer Mortgage Data (Eastern)

\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2005			Geography: BERWICK 2004 - 2005			Evaluation Period: JANUARY 1, 2004 TO			
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Non-MSA 2004	174	60.63	64.46	91.38	76.44	12.07	11.49	5.29	13.35
SCRWB MSA 2004	113	39.37	64.09	88.50	81.42	11.50	7.08	1.01	2.34

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2005).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS DECEMBER 31, 2005			Geography: BERWICK 2004 - 2005				Evaluation Period: JANUARY 1, 2004 TO		
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Non-MSA 2004	5	100.00	93.52	100.00	100.00	0.00	0.00	25.00	29.41
SCRWB MSA 2004	0	0.00	92.58	0.00	0.00	0.00	0.00	5.26	6.25

\* Based on 2004 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2005).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: BERWICK 2004 - 2005				Evaluation Period: February 25, 2002 to April 24, 2006			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Non-MSA 2004	1	365	11	315	12	680	0.00	1	479
SCRWB MSA 2004	0	0	0	0	0	0	0.00	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.



**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS February 25, 2002 to April 24, 2006				Geography: BERWICK 2004 - 2005				Evaluation Period: :									
MA/Assessment Area:	Deposits	Branches				Branch Openings/Closings				Population							
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Non-MSA 2004	69.00	6	60.00	0	0	4	2	1	1	0	0	-1	+1	0.00	6.97	73.10	19.93
SCRWB MSA 2004	31.00	4	40.00	0	0	4	0	1	0	0	0	+1	0	0.00	14.06	72.42	13.52

**Distribution of Branch and ATM Delivery System**

Distribution of Branch and ATM Delivery System 2006				Geography: BERWICK 2004 - 2005				Evaluation Period: : February 25, 2002 to April 24,									
MA/Assessment Area:	Deposits	Branches				ATMs				Population							
	% of Total Bank Deposits	# of Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography				
			Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
<b>Full Review:</b>																	
Non-MSA 2004	69.00	6	60.00	0	0	4	2	9	69.00	0	1	6	2	0.00	6.97	73.10	19.93
SCRWB MSA 2004	31.00	4	40.00	0	0	4	0	4	31.00	0	0	4	0	0.00	14.06	72.42	13.52

