
Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

November 25, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Portage National Bank
Charter Number: 14490**

**737 Main Street
Portage, Pennsylvania 15946**

**Comptroller of the Currency
Western Pennsylvania Duty Station
4075 Monroeville Boulevard, Suite 300
Monroeville, PA 15146**

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

GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Portage National Bank** prepared by **Comptroller of the Currency**, the institution's supervisory agency, as of **November 25, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

Portage National Bank is responsive to the credit needs of the community, including the low- and moderate-income individuals and areas.

- The institution's loan-to-deposit ratio is reasonable at 70%.
- A substantial portion of loans are originated within the assessment area.
- The distribution of loans reflects good penetration among borrowers of diverse income levels and to small businesses.
- The distribution of loans is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Portage National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No Complaints were received since the last examination		

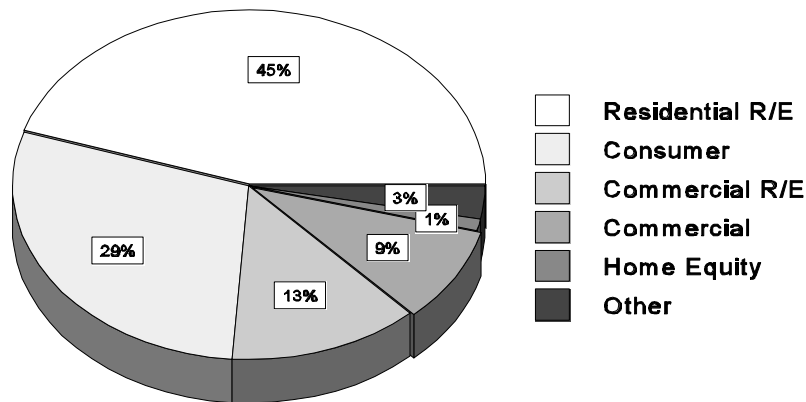
DESCRIPTION OF INSTITUTION

As of 9/30/96, Portage National Bank's assets totaled \$128.9 million, with deposits of \$116.0 million and gross loans of \$81.7 million. The bank offers a wide range of traditional loan and deposit products. The bank's primary business focus is the consumer market with a majority of the loan portfolio comprised of residential mortgages and individual instalment loans. Portage National Bank does not have any financial or legal impediments hindering its ability to help meet the community's credit needs.

Portage National Bank's loan portfolio composition is 45% residential real estate, 29% consumer, 13% commercial real estate, 9% commercial, 1% home equity and 3% other. The chart below details the composition of Portage's loan portfolio by total dollar volume.

Loan Composition

September 30, 1996



Portage National Bank operates seven branches in Cambria County. The offices are located in Portage Main, Portage Route 53 (drive-up only), Ebensburg, Gallitzin, Southmont, Summerhill and inside the County Market in Richland. The headquarters is in Ebensburg. Competition in the area comes from several bank's and numerous credit unions. Large regional bank competition includes PNC Bank, U.S. National Bank and Johnstown Bank and Trust. These competitors control the Johnstown market. Other area competitors include First Summit Bank and Cenwest.

The Bank operates three Automated Teller Machines (ATM's) located at the Portage Route 53 facility, the Ebensburg branch and the County Market branch. Locations of the ATM's, as well as other services provided, are determined by customer demand and preference.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area consists of Cambria County in its entirety. Cambria County is within the Johnstown Metropolitan Statistical Area (MSA). The assessment area contains 47 whole census tracts. The chart below shows the income composition of the assessment area by census tract.

<i>Census Tracts by Income Level</i>	<i>Number</i>	<i>Percent</i>
Low Income	1	2.1%
Moderate Income	8	17.0%
Middle Income	32	68.1%
Upper Income	6	12.8%
<i>Total</i>	47	100.0%

Portage National Bank's assessment area complies with the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income areas.

The branches are concentrated in the southern portion of the County. The population of Cambria County is 163,029 per the 1990 Census data. Over the past 20 years the County's population has declined by roughly 30,000 people. This data also shows the 1990 Census Johnstown MSA Median Family Income is \$26,144.

The collapse of the steel and mining industries during the 1970's and 1980's severely impacted Cambria County's economy and it has not yet fully recovered. Economic growth remains stagnant and the area's unemployment rate of approximately 7% remains well above the national average. The commercial activity has shifted from heavy manufacturing into the service and light industrial businesses. Concurrent with that shift a majority of the typically high wage manufacturing jobs were replaced with minimum wage jobs. The County's major industries are now healthcare, education, small specialty (light) manufacturing and timber. There are no longer any dominant employers within the County.

Management indicated that the community as a whole is in need of infrastructure financing (i.e. sewer systems). Individual credit needs include residential mortgage loans that are low-cost and require minimal downpayments, small personal lines of credit (both consumer and home equity) and various types of consumer credit. A "Community Contact" within Portage National Bank's assessment area revealed that local financial institutions are accurately identifying and meeting the credit needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Management is helping to meet the credit needs of the entire assessment area, including low- and moderate-income individuals and areas, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

The average loan-to-deposit ratios for the past eight quarters is 70%. The ratio has fluctuated only moderately throughout the eight quarter period with a high of 72% and a low of 69%. As of September 30, 1996, the quarter average loan-to-deposit ratio was 70%. In relation to five other financial institutions of comparable size in the Cambria County area, Portage National Bank's loan-to-deposit ratio was slightly below the median for the group of 75%. This is consistent with a national comparison of banks of similar size, placing Portage National Bank in the 45 percentile for September 30, 1996. Additionally, Portage National Bank has underwritten and sold an additional \$6.0MM in residential mortgages over the past two years. Selling loans on the secondary market has had a slight impact on the bank's loan-to-deposit ratio. Portage National Bank's loan-to-deposit ratio is consistent with the assessment area's economic characteristics, the bank's capacity to lend and lending opportunities available in the assessment area.

Lending in the Assessment Area

A substantial majority of Portage National Bank's lending is within the assessment area. We compiled statistical information on lending patterns from the bank's 1995 Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) for mortgage loans and a sample for consumer loans made in 1995. Thirty-five of the 40 (88%) consumer loans in our sample were extended within the assessment area. The dollar amount of mortgage loan originations for 1995 within the assessment area represented 87% of the total mortgage loan volume (\$2.5 million). The number of mortgage loans made within the assessment area comprised 94% of the 103 total mortgage loan originations in 1995.

Income Distribution within Assessment Area

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels. Within the bank's assessment area, 17% of families are low-income, 20% are moderate-income, 24% are middle-income, and 39% are upper income.

To review the distribution of bank lending among these income groups, we analyzed residential mortgage loan data from the bank's 1995 HMDA-LAR and reviewed a sample of 40 consumer loans originated during 1995. The following chart reflects a reasonable dispersion of sampled mortgage and consumer loans to individuals of different income groups.

<i>Lending to Borrowers of Different Incomes</i>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
<i>Area Demographic Characteristics</i>	17%		20%		24%		39%		100%	
<i>Loan Types</i>	#	%	#	%	#	%	#	%	#	%
Mortgages	9	9.4	14	14.5	23	24.0	50	52.1	96	100
Consumer	6	15.0	13	32.5	10	25.0	11	27.5	40	100

Lending to small businesses is extensive, making up 99% of the commercial loan portfolio balances per the June 30, 1996 Reports of Condition and Income. Of the commercial real estate portfolio, 95% of outstanding loan balances are to small businesses. The Reports of Condition and Income identify commercial loans with an original amount of \$1 million or less as small business loans. Portage National Bank did not report any agricultural lending.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. To review the distribution of bank lending among census tracts, we analyzed residential mortgage loan data from the bank's 1995 HMDA-LAR. For consumer loans, we used the same sample of 35 consumer loans originated in the assessment area. For both the mortgage and consumer samples, less than 3% of the loans were extended in low- or moderate- income census tracts. Within the bank's assessment area, 19% of census tracts are designated low- or moderate-income.

The geographic distribution of loans is predominantly in middle- and upper-income census tracts. However, only 16% of the low- or moderate-income families reside in low- or moderate-income census tracts. Low- or moderate-income families make up 37% of middle-income census tracts and 21% of upper income census tracts. Portage National Bank has demonstrated their commitment to lend to borrowers with different income with 24% of mortgage and 49% of consumer loans sampled to low- or moderate-income individuals.

The geographical composition of the assessment area limits Portage National Bank's ability to lend to the low- and moderate-income census tracts. Eight of the nine (88%) low- and moderate-income census tracts are in the City of Johnstown, with the ninth tract bordering the city. Portage National Bank has two branches near Johnstown, in Richland and Southmont; however, these are not readily accessible to the residents of Johnstown. Additionally, there are several larger banks that dominate the Johnstown market, with Portage National Bank

holding less than 1% of Johnstown area deposits in 1995. These competing banks provide approximately 36 branches in downtown Johnstown. The distribution of loans is predominantly surrounding the bank's branches, in particular the bank's most established branch in Portage.

Fair Lending Analysis

Portage National Bank is in substantial compliance with the provisions of antidiscrimination laws and regulations. An analysis performed during the recent consumer compliance examination did not reveal any discriminatory treatment or illegal practices.