

PUBLIC DISCLOSURE

October 16, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Somerset Trust Company
RSSD #212522

151 West Main Street
Somerset, PA 15501

Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, OH 44101-1387

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: Somerset Trust Company is rated "Satisfactory."

The following table indicates the performance level of the Somerset Trust Company with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>SOMERSET TRUST COMPANY</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

The major factors supporting the institution's rating include:

- Lending levels reflect good responsiveness to assessment area credit needs;
- A high percentage of loans are made in the bank's assessment area;
- The geographic distribution of loans reflects adequate penetration throughout the assessment area;

**Large Institution Performance Evaluation
September 2005**

- The distribution of borrowers reflects, given the product lines offered, good penetration among customers of different income levels and businesses of different sizes;
- A significant level of qualified community development investments and grants, particularly those not routinely provided by private investors;
- Delivery systems are readily accessible to the bank's geographies and individuals of different income levels in its assessment area;
- Services are tailored to convenience and needs of its assessment area, particularly in low- and moderate-income geographies and/or low- and moderate-income individuals; and,

INSTITUTION

DESCRIPTION OF INSTITUTION

The Somerset Trust Company (“Somerset”) is the sole subsidiary of Somerset Trust Holding Company¹. Both the bank and the holding company are located in the southwestern Pennsylvania town of Somerset, Pennsylvania. As of June 31, 2006, Somerset had assets of \$435 million.

Somerset is a full-service retail bank offering deposit accounts; consumer, real estate, commercial, and agricultural loans; and trust and investment services. Loans comprised 61.3% of assets as of June 31, 2006. Real estate loans made up the largest part of the lending portfolio at 65.7%. Significant real estate products included loans secured by commercial properties (31.7% of loans) and loans secured by 1-4 family residences (28.9% of loans). Other loans products were commercial (21.2%) and consumer (7.1%) loans.

Somerset competes with several financial institutions in Somerset and Cambria Counties. Major competitors include PNC Bank, National Association, Ameriserv Financial Bank (Johnstown), The Citizens National Bank of Meyersdale, and other regional and local financial institutions. The bank indicates that it has also experienced increased competition from internet companies such as DiTech.

Somerset has 13 offices, all of which have automated teller machines (“ATMs”). There are also 31 cash-only ATMs.

The bank has designated Somerset and Cambria Counties as its assessment area. Cambria County is part of the Johnstown Metropolitan Statistical Area (“MSA”) while Somerset County is not located in a MSA (see the assessment area map in Appendix C). The two assessment areas are discussed in more detail later in this evaluation.

The chart of page 5 shows key demographic information for the assessment area.

The following chart presents several key financial ratios for the bank.

Key Financial Ratios as of June 30, 2006	
Return on Average Assets	0.89%
Net Loans & Leases to Average Assets	60.84%
Investments to Average Assets	28.73%
Total Deposits to Average Assets	83.72%

¹ The PNC Financial Services Group, Inc., of Pittsburgh, Pennsylvania, owns 13% of Somerset Trust Holding Company.

Net Loans & Leases to Total Deposits	72.66%
Commercial Loans to Average Loans	20.74%
1-4 Family Residential Loans to Average Loans	28.64%
Consumer Loans to Average Loans	7.10%
Agricultural Loans to Average Loans	1.79%

Based on Somerset's asset size and financial condition, the bank has the ability to meet the credit needs of its assessment area. There are no legal or other impediments that would hamper the bank's ability to meet its community's credit needs. At the previous examination on July 12, 2004, Somerset received a "Satisfactory" rating.

SCOPE OF EXAMINATION

This CRA public evaluation is based on the bank's lending, investment, and service activities from July 14, 2004 to October 16, 2006. However, the evaluation of the level of Somerset's lending within its assessment area, including the geographic distribution of loans and the distribution to borrowers of different income levels and to businesses and farms of different revenue sizes, is based on loans originated from January 1, 2004 to December 31, 2005.

The following loan types were analyzed for purposes of this evaluation:

- Home Mortgage Disclosure Act loans;
- Small business loans; and,
- Small farm loans.

Bank management elected to exclude consumer loans for consideration for this evaluation.

The bank is a Home Mortgage Disclosure Act ("HMDA") reporter. Therefore, mortgage loans were categorized into the Regulation C definitions, which are home purchase, home improvement, and refinance loans.

No multi-family HMDA loans were originated during the evaluation period; therefore, they were not reviewed for this analysis.

The full examination procedures were used for both the Johnstown assessment area and the non-metropolitan assessment area of Somerset County.

Combined Demographics Report

Somerset Trust Company

Analysis Year: 2004 & 2005

Assessment Group(s): Overall

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	2.9	421	0.7	137	32.5	11,640	18.5
Moderate-income	15	22.1	9,304	14.8	1,546	16.6	13,116	20.8
Middle-income	45	66.2	47,225	74.9	3,891	8.2	15,467	24.5
Upper-income	6	8.8	6,083	9.7	271	4.5	22,810	36.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	68	100.0	63,033	100.0	5,845	9.3	63,033	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,747	278	0.4	15.9	1,155	66.1	314	18.0
Moderate-income	16,756	9,249	13.3	55.2	5,764	34.4	1,743	10.4
Middle-income	75,539	53,116	76.3	70.3	13,764	18.2	8,659	11.5
Upper-income	8,917	6,967	10.0	78.1	1,460	16.4	490	5.5
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	102,959	69,610	100.0	67.6	22,143	21.5	11,206	10.9
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	333	4.4	269	4.1	47	6.8	17	4.6
Moderate-income	1,200	15.8	1,018	15.6	126	18.2	56	15.2
Middle-income	5,409	71.1	4,688	71.6	451	65.1	270	73.2
Upper-income	663	8.7	568	8.7	69	10.0	26	7.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	7,605	100.0	6,543	100.0	693	100.0	369	100.0
Percentage of Total Businesses:				86.0		9.1		4.9
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	19	4.7	19	4.8	0	0.0	0	0.0
Middle-income	362	89.2	356	89.2	6	85.7	0	0.0
Upper-income	25	6.2	24	6.0	1	14.3	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	406	100.0	399	100.0	7	100.0	0	0.0
Percentage of Total Farms:				98.3		1.7		0.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Lending Activity

Considering the bank's size, resources, and competitive factors, Somerset's lending levels reflect an adequate responsiveness to assessment area credit needs. The bank offers a variety of loan products, including a first time home buyer program, a façade loan program in Meyersdale, and government-guaranteed rural loans.

Assessment Area Concentration

The following table shows lending activity inside and outside Somerset's assessment area from January 1, 2004 to December 31, 2005, separated by product type. The overwhelming majority of the bank's lending was in its assessment area, with 89.9% of the number of loans and 83.9% of the dollar volume of loans.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$ (000s)	%	# of Loans	%	\$ (000s)	%
Home Purchase - Conventional	290	88.1	27,308	80.0	39	11.9	6,839	20.0
Home Improvement	226	96.6	6,513	90.6	8	3.4	675	9.4
Refinancing	269	96.4	21,945	94.2	10	3.6	1,345	5.8
Total HMDA related	785	93.2	55,766	86.3	57	6.8	8,859	13.7
Small Business	649	87.8	44,890	85.3	90	12.2	7,733	14.7
Small Bus. - Secured by Real Estate	126	79.7	13,161	68.7	32	20.3	6,000	31.3
Total Small Bus. Related	775	86.4	58,051	80.9	122	13.6	13,733	19.1
Small Farm	96	92.3	4,848	97.9	8	7.7	106	2.1
Total Small Farm Related	96	92.3	4,848	97.9	8	7.7	106	2.1
Total Loans	1656	89.9	118,665	83.9	187	10.1	22,698	16.1

Geographic Distribution

The geographic distribution of loans is adequate. Lending to low- and moderate-income tracts was lower than the proxies used to approximate loan demand and peer performance, but not significantly. Geographic distribution is discussed in more detail in the assessment area portions of this report.

Distribution of Loans by Income Level of the Borrower

The distribution of loans by income level of the borrower is good, especially to low and moderate income borrowers. Borrower distribution is discussed in more detail in the assessment area portions of this report.

Community Development Lending

The bank is a leader in making community development loans. Somerset made 11 qualified community development loans in its assessment area for a total of \$4.9 million. Because the bank had at least an adequate amount of loans in its assessment area, a loan made outside of the assessment area for \$200,000 was also counted. Community development loans are discussed in more detail in the assessment area portion of this evaluation.

Investment Test

Somerset made a good level of qualified community development investments and grants. The bank made 63 qualified investments in its assessment area totaling \$344,090. Since the bank performed at least satisfactorily on this test, seven investments made outside of the assessment area were also counted. These investments consisted of several bonds and totaled \$9.7 million. More details about the bank's investments are included in the assessment area portions of this evaluation.

Service Test

Retail Services

Somerset's offices are accessible to the bank's geographies and individuals of different income levels in its assessment area.

Somerset offers a full-functioning website that details information such as locations and hours, deposit rates, descriptions of loan and deposit products, and several financial calculators. Online banking is also available. The bank also offers a family savings account program for low income individuals.

Community Development Services

Somerset is a leader in providing community development services. Bank employees provide financial expertise at several local community development organizations. More details about these services are included in the assessment area portion of this evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A fair lending review was completed in conjunction with the compliance and CRA examinations. No violations of the provisions of anti-discrimination laws and regulations were identified during the examination. Somerset maintains fair lending policies and procedures and provides bank staff with fair lending training. Further, no instances of illegal credit practices were discovered.

METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN JOHNSTOWN, PA MSA 27780

The Johnstown MSA assessment area consists of the entirety of Cambria County. Within this assessment area, there are 2 low-income, 10 moderate-income, 30 middle-income, and 6 upper-income tracts. Four of Somerset's offices and five of its cash-only ATMs are located in the Johnstown MSA.

As of June 30, 2006, Somerset ranked eighth in deposit share in the Johnstown MSA.² Major competitors in the MSA include Ameriserv Financial Bank, First National Bank of Pennsylvania, and First Commonwealth Bank (Indiana, Pennsylvania).

Key demographic information about this assessment area is contained on page 11.

Income Characteristics

The population of the assessment area was 152,598 as of the 2000 census.

The median family income for the assessment area was \$37,765, which was lower than the Commonwealth of Pennsylvania's median family income of \$49,184. Families comprised 67.5% of the households in the assessment area. Approximately 9.4% of the families lived below the poverty level. Of the families living in the assessment area, 17.5% were low-income families, 19.7% were moderate-income families, 23.8% were middle-income families, and 39.1% were upper-income families.

Housing Characteristics

There were 65,796 housing units in the assessment area as of the 2000 census. Approximately 87.7% of these units housed 1-4 families, 7.1% house five families or more, and 5.2% were mobile homes. The majority of units (68.8%) were owner-occupied. The median age of the housing stock was 53 years, which was higher than the Commonwealth of Pennsylvania's median of 43 years.

Labor, Employment, and Economic Conditions

The 2005 unemployment rate for Cambria County was 6.1%, which was higher than

² FDIC/OTS Summary of Deposits Website: www.fdic.gov

Pennsylvania's rate of 5.0%.³

Major employers in Cambria County include Concurrent Technologies Corporation (applied research and development), Conemaugh Health System, DRS Technologies (supplier of defense electronic systems), Lockheed Martin, and Metropolitan Life⁴.

³ USDA Economic Research Service: www.ers.usda.gov

⁴ Johnstown, Pennsylvania article in Wikipedia,
http://en.wikipedia.org/wiki/Johnstown,_Pennsylvania

Combined Demographics Report

Somerset Trust Company

Analysis Year: 2004 & 2005

Assessment Area(s): MSA 27780

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	4.2	421	1.0	137	32.5	7,142	17.5
Moderate-income	10	20.8	5,025	12.3	1,046	20.8	8,044	19.7
Middle-income	30	62.5	29,362	71.8	2,373	8.1	9,714	23.8
Upper-income	6	12.5	6,083	14.9	271	4.5	15,991	39.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	48	100.0	40,891	100.0	3,827	9.4	40,891	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,747	278	0.6	15.9	1,155	66.1	314	18.0
Moderate-income	9,407	4,702	10.4	50.0	3,547	37.7	1,158	12.3
Middle-income	45,725	33,295	73.6	72.8	9,127	20.0	3,303	7.2
Upper-income	8,917	6,967	15.4	78.1	1,460	16.4	490	5.5
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	65,796	45,242	100.0	68.8	15,289	23.2	5,265	8.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	333	7.0	269	6.6	47	10.9	17	7.0
Moderate-income	518	10.9	428	10.5	65	15.0	25	10.2
Middle-income	3,248	68.2	2,821	69.0	251	58.1	176	72.1
Upper-income	663	13.9	568	13.9	69	16.0	26	10.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,762	100.0	4,086	100.0	432	100.0	244	100.0
Percentage of Total Businesses:			85.8		9.1		5.1	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	3	1.9	3	1.9	0	0.0	0	0.0
Middle-income	131	82.4	128	82.6	3	75.0	0	0.0
Upper-income	25	15.7	24	15.5	1	25.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	159	100.0	155	100.0	4	100.0	0	0.0
Percentage of Total Farms:			97.5		2.5		0.0	

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JOHNSTOWN, PA MSA 27780

Lending Test

Lending Activity

Somerset's lending levels reflect an adequate responsiveness to assessment area credit needs given the bank's size, resources, and competitive factors.

Geographic Distribution

The overall geographic distribution in the Johnstown MSA is adequate. The bank did not make loans in many of the tracts within this assessment area and, for the loans that were originated, lending patterns lagged the proxy and peer figures.

The assessment area mainly consists of middle- or upper-income tracts (62.5% and 12.5%, respectively); however, more than a quarter of the tracts are low- or moderate-income (4.2% and 20.8%, respectively).

Somerset did not make loans in 45.8% of its tracts in 2004 and 41.7% of its geographies in 2005. Most of the middle-income tracts and the upper-income tracts without loans are located in northern Cambria County. The bank's offices in this county are concentrated in the Johnstown area, which is in the southwestern portion of the county. Therefore, these tracts are a considerable distance from the bank's offices (it is approximately 45 miles from the northeastern part of the county to Johnstown). Further, the northern part of county is mountainous, thus making it difficult to reach borrowers in this portion of the county.

All of the low-income tracts, the majority of the moderate-income tracts, and some of the middle-income tracts are located in Johnstown or its vicinity. In the low-income tracts, there is not a lot of turnover in homes, thus somewhat limiting opportunities for lending opportunities.

HMDA Loans

HMDA loans were grouped together for the Johnstown MSA, due to an insufficient number of loan originations in each category (home purchase, refinance, and home improvement loans) for a meaningful analysis. The geographic distribution for the two years covered under this evaluation is poor.

2004

The geographic distribution for HMDA loans in 2004 was adequate. The bank's percentage of loans in low-income tracts exceeded both the proxy and peer; however, the percentage of loans in moderate-income tracts was less than the proxy and peer. The bank made fewer loans in the middle-income tracts than the proxy and peer but more loans than the proxy and peer in the upper-income tracts.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	3.3	0.6	0.2
Moderate	3.3	10.4	8.5
Middle	60.0	73.6	73.3
Upper	33.3	15.4	18.0

2005

The geographic distribution for HMDA loans made in 2005 was poor. The percentage of loans in low-income tracts was less than the proxy and peer; however, it should be noted that less than 1% of the owner-occupied units are located in the two low income tracts and, thus, opportunities for lending are limited. Less weight was placed on lending to the low-income tracts in this assessment area. Lending to moderate-income tracts was significantly lower than the proxy and peer for loans in moderate-income tracts; however the percentage of loans in middle-income tracts was less than the proxy and peer while the bank made more loans in the upper-income tracts than the proxy or peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	0.0	0.6	0.2
Moderate	1.7	10.4	7.8
Middle	56.9	73.6	73.9
Upper	41.4	15.4	18.1

Small Business Loans

Small business loans were not reviewed for geographic distribution as there were insufficient numbers to support an analysis.

Small Farm Loans

Small farm loans were also not reviewed for geographic distribution because there were not enough of them for a meaningful analysis.

Distribution of Borrower Income and Revenue Size of Business or Farm

Borrower distribution within the assessment area is adequate, but declined from 2004 to 2005.

HMDA Loans

Again, HMDA loans were consolidated as there were insufficient originations to perform a meaningful analysis for each loan category. Overall, borrower distribution in the assessment area for the two years was adequate; however, a significant decline was noted in 2005 as opposed to 2004.

Approximately 9.4% of the families within the assessment area were below the poverty level. Although the level of poverty is determined by both income and family size, a larger proportion of families at poverty level are within the low-income category and, to some extent, in the moderate-income category. It is difficult for borrowers at poverty level to qualify for loans, especially home mortgage loans, since their income is so limited.

2004

Of the 60 loans that the bank originated, 5% (3) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 57 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different income levels.

The borrower distribution of HMDA loans in 2004 was good. The percentage of loans to low-income borrowers was less than the proxy but higher than the peer. Loans to middle-income borrowers were less than the proxy and peer, but not significantly so. Loans to middle-and upper-income borrowers exceeded both the proxy and peer.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families by Income Level)	Percentage of Peer Loans by Income Level*
Low	8.3	17.5	7.8
Moderate	16.7	19.7	19.6
Middle	30.0	23.8	25.5
Upper	40.0	39.1	36.2

* Approximately 11% of loans made by the peer group also did not have reported income.

2005

Of the 58 loans that the bank originated, approximately 5% (3) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 55 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different income levels.

Borrower distribution for HMDA loans made in 2005 was poor. The percentage of loans made to low-income borrowers was lower than both the proxy and peer and was much lower than the proxy and peer for moderate-income borrowers. Loans made to middle-income borrowers were similar to the proxy and peer while loans to upper-income borrowers were much greater than the proxy and peer.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families by Income Level)	Percentage of Peer Loans by Income Level*
Low	5.2	17.5	8.9
Moderate	5.2	19.7	18.0
Middle	24.1	23.8	24.3
Upper	60.3	39.1	38.5

* Approximately 10% of loans made by the peer group also did not have reported income.

Small Business Loans

Small business loans were not reviewed for borrower distribution as there were insufficient numbers to support an analysis.

Small Farm Loans

Small farm loans were not reviewed for borrower distribution since there were not enough of them for a meaningful analysis.

Community Development Lending

The level of community development loans is good. The bank made three community development loans in this assessment area for a total of \$940,472. One loan helped an organization that serves mostly low- and moderate-income individuals to purchase a van to transport its clients while the other loan was used for a dam project in a low-income tract. The other loan was used to help build a convention center in a low-income tract and also to provide services to low-income individuals.

Investment Test

Somerset has made an adequate level of qualified investments and grants. Qualified investments were made to the following community organizations⁵:

- Habitat for Humanity
- JARI Fund Drive for Jobs – Johnstown Area Regional Industries (JARI) initiated a campaign to create and keep jobs for small businesses across Cambria and Somerset Counties.
- Penn Ventures Fund – This fund is a New Markets Capital Fund, approved by the United States Small Business Administration. The fund focuses on venture capital investment within underserved markets in the Commonwealth of Pennsylvania.
- Small Business Development Center at St. Francis University
- Salvation Army – The local chapter indicates that 90% of its clients are low- or moderate income.
- Johnstown Free Medical Clinic

The bank also made several donations to schools in the Johnstown School District such as teaching financial skills and providing newspapers to students.

The following table breaks out the number and dollar amount of investments made in this assessment area by community development purpose.

Community Development Purpose	Number of Investments	Dollar Amount
Services for low- and moderate-income individuals	20	\$22,844
Affordable housing for low- and moderate-income individuals	3	\$6,250
Activities that promote economic development by financing businesses that meet SBA size and eligibility standards or have gross annual revenues of \$1 million or less	6	\$135,500

Service Test

⁵ Eleven investments (three for Habitat for Humanity, three for JARI Fund Drive for Jobs, one for the Penn Ventures Fund, two for the Small Business Development Center at St. Francis University, and two for the Salvation Army) were made to organizations that served both of the assessment areas. These investments were equally divided between the two assessment areas.

Retail Services

One of the offices in the Johnstown MSA is located in a low-income tract. Only 4.2% of the geographies in the assessment area are low-income. Although there are no offices in moderate-income tracts, the office in the low-income tract mirrors the total number of low and moderate income tracts in the assessment area (25% of the offices are in a low-income geography while 25% of the geographies are either low- or moderate-income). While 62.5% of the tracts are middle income, there is only one office (25%) in middle-income tracts. Fifty percent of the offices are upper-income tracts while only 12.5% of the tracts are upper-income tracts. Therefore, the retail distribution of branches is excellent.

Community Development Services

Somerset provides an excellent level of community development services, often in a leadership position. Bank directors, officers, and staff participate in the following community development organizations:

- Johnstown Redevelopment Authority Loan Committee – An employee is on the loan committee for this organization to provide loans to small businesses.
- Junior Achievement – An employee teaches economics in the Johnstown School District. The majority of students in the district are low-income.
- St. Francis Small Business Development Center – A member is on the board of directors.
- Habitat for Humanity – An employee helps to select families and is also on the fund raising committee.
- Johnstown Industrial Development – This organization provides assistance to small businesses. An employee is on the board of directors.

Community Contacts

A community contact was made to an organization that provides services to businesses in the area such as site selection, business planning assistance, and financing arrangements. The organization serves both Somerset and Cambria Counties.

NONMETROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOMERSET COUNTY, PENNSYLVANIA

The non-metropolitan area consists of the entirety of Somerset County. Within this assessment area, there are 5 moderate-income and 15 middle-income geographies. Nine of Somerset's offices, including the main office, and 26 of its cash-only ATMs are located in this assessment area.

Somerset ranked first (out of eight institutions) in deposit share in Somerset County as of June 30, 2006.⁶ Major competitors in the county include First National Bank of Pennsylvania, First Commonwealth Bank, and PNC Bank, N.A.

Key demographic information about this assessment area is contained on what page 20.

Income Characteristics

The population of the assessment area was 80,023 as of the 2000 census.

The median family income for the assessment area was \$36,841, which was lower than the Commonwealth of Pennsylvania's median family income of \$49,184. Families comprised 70.9% of the households in the assessment area. Approximately 9.1% of the families lived below the poverty level. Of the families living in the assessment area, 20.3% were low-income families, 22.9% were moderate-income families, 26.0% were middle-income families, and 30.8% were upper-income families.

Housing Characteristics

There were 37,163 housing units in the assessment area as of the 2000 census. Most of the units (81.1%) housed 1-4 families. Approximately 5.3% housed five or more families and 13.4% were mobile homes. The remainder (0.2%) was other units. The median age of the housing stock was 45 years, which was slightly higher than the Commonwealth of Pennsylvania's median of 43 years.

⁶ FDIC/OTS Summary of Deposits Website: www.fdic.gov

Labor, Employment, and Economic Conditions

The 2005 unemployment rate for Somerset County was 6.0% which was higher than Pennsylvania's rate of 5.0%.⁷

According to the Somerset County Chamber of Commerce⁸, the largest employers in the county included the Pennsylvania State Government, Seven Springs Mountain Resort, Somerset County Hospital, and Fleetwood Folding Trailers Inc. (manufacturers of recreational vehicles).

⁷ USDA Economic Research Service: www.ers.usda.gov

⁸ Somerset County Chamber of Commerce: www.somersetcountychamber.com

Combined Demographics Report

Somerset Trust Company

Analysis Year: 2004 & 2005

Assessment Area(s): Non-MSA PA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,498	20.3
Moderate-income	5	25.0	4,279	19.3	500	11.7	5,072	22.9
Middle-income	15	75.0	17,863	80.7	1,518	8.5	5,753	26.0
Upper-income	0	0.0	0	0.0	0	0.0	6,819	30.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	20	100.0	22,142	100.0	2,018	9.1	22,142	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	7,349	4,547	18.7	61.9	2,217	30.2	585	8.0
Middle-income	29,814	19,821	81.3	66.5	4,637	15.6	5,356	18.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	37,163	24,368	100.0	65.6	6,854	18.4	5,941	16.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	682	24.0	590	24.0	61	23.4	31	24.8
Middle-income	2,161	76.0	1,867	76.0	200	76.6	94	75.2
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,843	100.0	2,457	100.0	261	100.0	125	100.0
Percentage of Total Businesses:			86.4		9.2		4.4	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	16	6.5	16	6.6	0	0.0	0	0.0
Middle-income	231	93.5	228	93.4	3	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	247	100.0	244	100.0	3	100.0	0	0.0
Percentage of Total Farms:			98.8		1.2		0.0	

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOMERSET COUNTY, PENNSYLVANIA

Lending Test

Lending Activity

Somerset's lending levels reflect an adequate responsiveness to assessment area credit needs given the bank's size, resources, and competitive factors.

Geographic Distribution

There is some difficulty in reaching borrowers in three of the moderate-income geographies (all are in the northern portion of the county, with one adjacent to Johnstown, one slightly to the east of the city, and another is in the rural eastern part of county) as there are no branches in these areas. The residents of these areas tend to stay in their respective geographies to do their banking. The other two moderate-income tracts are located in the southern portion of the county, with one in the city of Somerset itself while the other is closer to the Maryland border. In these two tracts, offices are more accessible (in fact, the main office is in a moderate-income tract). Given that the gap between the proxy and peer numbers is consistent and that the bank ranks second among HMDA reporters and first among CRA reporters in the county, Somerset's geographic distribution of loans is adequate.

The bank made loans in all of the tracts within the assessment area both in 2004 and 2005. There are no low- and upper-income tracts in this assessment area; therefore, the evaluation is limited to moderate- and middle-income tracts.

HMDA Loans

Home Purchase Loans

The geographic distribution of home purchase loans for the combined years is adequate.

2004

Geographic distribution for home purchase loans made in 2004 is poor. Lending in moderate-income tracts was significantly less than the proxy and peer while loans in middle-income tracts exceeded the proxy and peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	0.0	0.0	0.0
Moderate	8.1	18.7	19.1
Middle	91.9	81.3	80.9
Upper	0.0	0.0	0.0

2005

The geographic distribution of home purchase loans made in 2005 was adequate. Loans in moderate-income tracts were less than proxy and peer. Bank loans in middle-income tracts were more than the proxy.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	0.0	0.0	0.0
Moderate	10.0	18.7	17.7
Middle	90.0	81.3	82.3
Upper	0.0	0.0	0.0

Refinance Loans

The geographic distribution of refinance loans for the combined years is poor.

2004

The geographic distribution of refinance loans made in 2004 is poor. The percentage of loans made in moderate-income tracts was significantly lower than both the proxy and peer. Almost all refinance loans were made in the middle-income tracts.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	0.0	0.0	0.0
Moderate	4.9	18.7	17.1
Middle	95.1	81.3	82.9
Upper	0.0	0.0	0.0

2005

The geographic distribution of refinance loans originated in 2005 was poor. Although the percentage of loans made in moderate-income tracts were slightly better in 2005 than in 2004, they were still much less than the proxy and the peer. Loans made to middle-income tracts exceeded the proxy and peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	0.0	0.0	0.0
Moderate	8.0	18.7	17.6
Middle	92.0	81.3	82.4
Upper	0.0	0.0	0.0

Home Improvement Loans

The geographic distribution of home improvement loans for the combined years is adequate.

2004

The geographic distribution for home improvement loans made in 2004 was adequate. The percentage of loans made in moderate-income tracts was less than the proxy and peer whereas loans in middle-income tracts were more than the proxy and peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	0.0	0.0	0.0
Moderate	10.5	18.7	21.1
Middle	89.5	81.3	78.9
Upper	0.0	0.0	0.0

2005

The geographic distribution of home improvement loans originated in 2005 was adequate. The bank made fewer loans to the moderate-income tracts than the proxy or peer while loans to middle-income tracts exceeded the peer and proxy.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Owner Occupancy by Tract)	Percentage of Peer Loans by Tract
Low	0.0	0.0	0.0
Moderate	9.5	18.7	20.0
Middle	90.5	81.3	80.0
Upper	0.0	0.0	0.0

Small Business Loans

The geographic distribution of small loans to businesses for the combined years is adequate.

2004

The geographic distribution of small loans to businesses made in 2004 is adequate. The percentage of loans in moderate-income geographies was less than both the proxy and peer while the percentage of loans in middle-income geographies was more than the proxy and peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Businesses in Each Tract)	Percentage of Peer Loans by Tract*
Low	0.0	0.0	0.0
Moderate	13.4	24.0	19.0
Middle	86.6	76.0	78.2
Upper	0.0	0.0	0.0

* The tract income level was unknown for approximately 3% of the loans made by the peer group.

2005

The geographic distribution of small loans to business made in 2005 was adequate. The bank made fewer loans to moderate-income tracts than the proxy or peer whereas the percentage of loans to middle-income tracts was more than proxy or peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Businesses in Each Tract)	Percentage of Peer Loans by Tract
Low	0	0.0	0.0
Moderate	14.0	24.0	18.8
Middle	86.0	76.0	78.1
Upper	0.0	0.0	0.0

* The tract income level was unknown for approximately 3% of the loans made by the peer group.

Small Farm Loans

The geographic distribution of small loans to farms for the combined two years is adequate.

2004

The geographic distribution of small loans to farms in 2004 was good. The bank made slightly fewer loans to moderate-income tracts than the proxy and about half as few as the peer. Loans in middle-income tracts exceeded the proxy and peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Farms in Each Tract)	Percentage of Peer Loans by Tract*
Low	0.0	0.0	0.0
Moderate	5.4	6.6	10.0
Middle	94.6	93.4	85.0
Upper	0.0	0.0	0.0

* The tract income level was unknown for approximately 5% of the loans made by the peer group.

2005

The geographic distribution of small loans to farms in 2005 was poor. The percentage of loans made in moderate-income tracts was significantly less than the proxy and peer while the percentage of loans to middle-income geographies exceeded the proxy and peer.

Tract Income Level	Percentage of Bank Loans by Tract	Proxy (Percentage of Farms in Each Tract)	Percentage of Peer Loans by Tract
Low	0	0.0	0.0
Moderate	2.6	6.6	2.9
Middle	97.4	93.4	97.1
Upper	0.0	0.0	0.0

Distribution of Borrower Income and Revenue Size of Business or Farm

The overall borrower distribution for the Somerset County assessment area is good.

HMDA Loans

Approximately 9.1% of the families within the assessment area were below the poverty level. Although the level of poverty is determined by both income and family size, a larger proportion of families at poverty level are within the low-income category and, to some extent, in the moderate-income category. It is difficult for borrowers at poverty level to qualify for loans, especially home mortgage loans, since their income is so limited.

Home Purchase Loans

Borrower distribution of home purchase loans for the combined two years is good.

2004

Of the 111 loans that the bank originated, approximately 4% (4) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 107 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different income levels.

The borrower distribution of home purchase loans made in 2004 was good. The percentage of loans to low- and moderate-income borrowers exceeded the peer. The percentage of loans to low-income borrowers was less than the proxy, but not significantly so. The bank made about the same percentage of loans to moderate-income borrowers as the proxy and exceeded the peer figure for these geographies. Loans to middle- and upper-income borrowers were similar to the proxy. The peer percentage of lending to middle-income borrowers was lower than the bank's; however, the bank made fewer loans to upper-income borrowers than the peer group.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families by Income Level)	Percentage of Peer Loans by Borrower Income Level*
Low	14.4	20.3	10.0
Moderate	22.5	22.9	16.9
Middle	27.0	26.0	22.4
Upper	32.4	30.8	37.2

* Approximately 14% of loans made by the peer group also did not have reported income.

2005

Of the 120 loans that the bank originated, approximately 2% (2) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 118 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different

income levels.

The borrower distribution of home purchase loans originated in 2004 was good. Although the bank made fewer loans to low-income borrowers than the proxy, the percentage of these loans was more than the peer figure. The bank exceeded both the proxy and peer for the percentage of loans made to moderate-income borrowers. The percentage of loans to middle-income borrowers was less than the proxy but more than the peer whereas the percentage of loans to upper-income borrowers was more than the proxy but less than the peer.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families by Income Level)	Percentage of Peer Loans by Borrower Income Level*
Low	10.8	20.3	6.4
Moderate	28.3	22.9	20.1
Middle	24.2	26.0	22.5
Upper	35.0	30.8	40.5

* Approximately 11% of loans made by the peer group also did not have reported income.

Refinance Loans

Borrower distribution for the combined two years for refinance loans is adequate

2004

Of the 123 loans that the bank originated, approximately 8% (10) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 113 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different income levels.

The borrower distribution for refinance loans made in 2004 was good. Although the percentage of loans made to low-income borrowers was less than the proxy, it exceeded the peer figure. Loans to moderate-income borrowers were about the same as the proxy level; however, they exceeded the peer. The bank made more loans to middle-income borrowers than the proxy or peer but fewer loans to upper-income borrowers than the proxy or peer and fewer loans to upper-income borrowers than the proxy or peer.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families by Income Level)	Percentage of Peer Loans by Borrower Income Level*
Low	13.8	20.3	11.2
Moderate	22.8	22.9	19.3

Middle	31.7	26.0	24.9
Upper	23.6	30.8	33.0

* Approximately 12% of loans made by the peer group also did not have reported income.

2005

Of the 113 loans that the bank originated, approximately 5% (6) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 107 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different income levels.

The borrower distribution of refinance loans originated in 2005 was poor. The percentage of loans to low-income borrowers was significantly lower than the proxy but higher than the peer figure whereas the percentage of loans to moderate-income borrowers was less than proxy (however, not as big as a difference) but was higher than the peer. The bank's percentage of loans to middle-income borrowers was similar to the proxy and peer figures. Loans to upper-income borrowers exceeded both the peer and proxy.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families by Income Level)	Percentage of Peer Loans by Borrower Income Level*
Low	7.1	20.3	8.6
Moderate	15.0	22.9	18.6
Middle	28.3	26.0	26.7
Upper	44.2	30.8	32.3

* Approximately 14% of loans made by the peer group also did not have reported income.

Home Improvement Loans

Borrower distribution of home improvement loans for the combined two years is excellent.

2004

Of the 105 loans that the bank originated, approximately 7% (7) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 98 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different income levels.

Borrower distribution of home improvement loans made in 2004 is excellent. The percentage of loans to low-income borrowers was more than the proxy and peer. The bank made a significantly higher percentage of loans to moderate-income borrowers than the proxy or peer. The percentage

of loans to middle-income borrowers was similar to the proxy and peer while the loans to upper-income borrowers were less than the proxy or peer.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families by Income Level)	Percentage of Peer Loans by Borrower Income Level*
Low	21.9	20.3	16.5
Moderate	33.3	22.9	23.0
Middle	24.8	26.0	26.0
Upper	13.3	30.8	31.0

* Approximately 4% of loans made by the peer group also did not have reported income.

2005

Of the 95 loans that the bank originated, approximately 16% (15) had no reported income; therefore, it was impossible to categorize the borrower's income. As a result, 80 loans were reviewed, making the analysis a truer picture of the bank's lending to borrowers of different income levels.

Borrower distribution of home improvement loans originated in 2005 is good. Although the percentage of loans to low-income borrowers was slightly less than the proxy, the percentage of these loans exceeded the peer. Loans to moderate-income borrowers were more than the proxy but a little less than the peer. The bank made fewer loans to middle- and upper-income borrowers than the proxy or peer.

Borrower Income Level	Percentage of Bank Loans by Borrower Income Level	Proxy (Percentage of Families Income Level)	Percentage of Peer Loans by Borrower Income Level*
Low	18.9	20.3	17.6
Moderate	26.3	22.9	28.7
Middle	15.8	26.0	25.4
Upper	23.2	30.8	26.7

* Approximately 2% of loans made by the peer group also did not have reported income.

Small Business Loans

The overall distribution of loans to small businesses is good.

2004

The bank made 73.1% of its loans to small businesses. This percentage is less than percentage of small businesses in the assessment area at 86.4%; however, it is much higher than the peer figure of 44.2%. Of the small loans to businesses, 83.8% of the loans were for \$100,000 or less. Therefore, the distribution of loans to small businesses was good.

2005

The bank made 66.1% of its loans to business small businesses. This percentage is lower than the percentage of small businesses in the assessment area at 86.4%; however, it is higher than the peer figure of 50.7%. Of the small loans to businesses, 82.9% were for \$100,000 or less. Therefore, the distribution of loans to small businesses was good.

Small Farm Loans

The overall distribution of loans to small farms is good.

2004

Somerset made all of its loans to small farms. In the assessment area, 98.8% of farms are small. The peer group made only 60.0% of its loans to small farms. Of these loans, 82.1% were for \$100,000 or less. Thus, the distribution of loans to small farms is excellent.

2005

The bank made 97.4% of its loans to small farms, which was slightly less than the proxy of 98.8%. The peer group made 80.0% of its loans to small farms. Of these loans, 86.5% were for \$100,000 or less. Thus, the distribution of loans to small farms is good.

Community Development Lending

The bank made an excellent level of community development loans. Eight loans were originated in the assessment area totaling \$3,920,000. One loan benefited an organization that serves low- and moderate-income individuals. Four of the loans were for construction purposes; one was to build homes for low- and moderate-income individuals, another was used to construct fire department facilities in a moderate-income tract, and the two were used to build classrooms for low- and moderate-income students. Three loans were for organizations that serves mostly small businesses.

Investment Test

Somerset has made a good level of qualified investments and grants. In addition to the investments that were already discussed in the Johnstown assessment area portion of this evaluation, the bank made the following qualified investments in Somerset County:

- Meyersdale Main Street Program – This organization provides small business services and also helps to revitalize the Meyersdale area.
- Somerset Blind Center – This organization provides small business services to blind citizens.
- Somerset County Route 219 Development - The purpose of this project is to create roads and infrastructure that would make the Somerset assessment area more attractive to small businesses and start ups.
- Somerset, Inc. – This organization provides services to small businesses.
- Berlin Food Pantry – This organization provides free and/or reduced price food items to individuals and families based on federal poverty guidelines.
- Camp Soles YMCA Summer Camp – The bank assists campers who cannot afford the fees.
- Children’s Aid Home – This organization provides services to foster children.
- Next Step Center – The center provides shelter for low income families.
- Somerset Area Food Pantry
- Somerset Free Medical Clinic
- Somerset County Chamber of Commerce Broadband Study – This project allowed rural, mostly moderate-income areas, of the county to access broadband internet services.
- Daily American Newspaper in Education – The bank provided newspapers to schools in Somerset County. The majority of students in the selected schools received free or reduced lunches.

The following table breaks out the number and dollar amount of investments made in this assessment area by community development purpose.

Community Development Purpose	Number of Investments	Dollar Amount
Services for low- and moderate-income individuals	14	\$6,180
Affordable housing for low- and moderate-income individuals	3	\$6,250
Activities that promote economic development by financing businesses that meet SBA size and eligibility standards or have gross annual revenues of \$1 million or less	14	\$162,566

Activities that revitalize or stabilize low- and moderate-income geographies	3	\$4,500
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Service Test

Retail Services

One of the offices in this assessment area is in a moderate-income tract (11% of the offices); however, 25% of the tracts are moderate-income. All of other branches in are within a reasonable distance from the moderate-income geographies. Therefore, the distribution of branches is excellent

Community Development Services

Somerset provides an excellent level of community development services, often in a leadership position. Bank directors, officers, and staff participate in the following community development organizations:

- Children’s Aid Home of Somerset – This organization provides shelter and care to foster children. One employee serves on the board of directors and another is the treasurer.
- Tableland, Inc. – An employee is a board member of this organization, which provides services to low- and moderate-income individuals.
- Habitat for Humanity – This organization provides affordable housing for low- and moderate-income individuals. One employee heads the Somerset County chapter while another is the assistant treasurer.
- Maple Tree Association – An employee is a director of this organization, which provides various services to low- and moderate-income individuals.
- Somerset County Beef Association – This organization helps small farms in the area. An employee serves as treasurer.
- Meyersdale Renaissance – This organization promotes the development of low- and moderate-income areas. An employee is a director.
- Somerset County Affordable Housing – An employee is a board member for this organization, which promotes affordable housing for low- and moderate-income individuals.
- Somerset County Food Pantry – This organization provides food items to individuals and families who meet income criteria based on the poverty guidelines. An employee serves as board member and treasurer.
- Southern Alleghenies Planning and Development Commission – This organization promotes economic development in the area. The bank has an employee who serves as chairman of the finance committee.

Community Contacts

No separate contacts were made in the county as the contact made in Cambria County also encompassed Somerset County.

APPENDIX A
SCOPE OF EXAMINATION TABLE

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	July 12, 2004 – October 16, 2006	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Somerset Trust Company Somerset, Pennsylvania		<ul style="list-style-type: none"> - Home Mortgage Disclosure Act Loans - Small Business Loans - Small Farm Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-Metropolitan Statistical Area: <ul style="list-style-type: none"> • Entirety of Somerset County, Pennsylvania 	Full Examination Procedures	None	
Johnstown, PA MSA 27780	Full Examination Procedures	None	

APPENDIX B

GLOSSARY

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 metropolitan area/assessment area.

Census tract: 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 statistical 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: All Agencies have adopted the following language. 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for

the multistate 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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.

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.

APPENDIX C ASSESSMENT AREA MAP

Somerset Trust Company
Assessment Area: Overall
Loan Years: 2004 & 2005

