

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATION TO ACQUIRE A FEDERAL SAVINGS ASSOCIATION

Order No.: 2003-32

Date: August 8, 2003

OTS Nos.: H-3730, H-3731

Northwest Bancorp, MHC (Mutual Holding Company) and Northwest Bancorp, Inc. (Stock Holding Company), Warren, Pennsylvania, (collectively, the Applicants), have applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.7 to acquire Bell Federal Savings and Loan Association (Association), Pittsburgh, Pennsylvania, which is the wholly owned federal savings association subsidiary of First Bell Bancorp, Inc. (Bancorp)(the Application).

The Applicants are federal mutual holding companies. Two of the Applicants' wholly owned depository institution subsidiaries, Northwest Savings Bank, Warren, Pennsylvania (State Bank), and Jamestown Savings Bank, Lakewood, New York (Jamestown), have previously elected, pursuant to section 10(l) of the Home Owners' Loan Act (HOLA), to be deemed savings associations for the purposes of the OTS holding company regulations. The third subsidiary, Leeds Federal Savings Bank, Baltimore, Maryland (Leeds), is a federal savings bank and a direct wholly owned subsidiary of the Mutual Holding Company. The Mutual Holding Company currently owns approximately 74.2 percent of the stock of the Stock Holding Company, with the remaining 25.8 percent being publicly held. The Stock Holding Company holds all of the outstanding common stock of the State Bank and Jamestown.

The Proposed Transaction

In the proposed transaction, Bancorp will merge into Northwest Merger Subsidiary, Inc., a recently formed corporate subsidiary of the Stock Holding Company to be used to facilitate the merger, with Bancorp as the surviving entity. Bancorp will then merge into the Stock Holding Company with the Stock Holding Company as the surviving entity. Then, the Association will merge into the State Bank, with the State Bank as the surviving entity.

The management and boards of directors of the Applicants and the State Bank will not change as a result of the proposed transaction. The directors of Bancorp will be offered advisory director positions with the State Bank's Allegheny County Advisory Board. Other than the advisory director positions, no directors or officers of Bancorp or the Association will have director or officer positions with the Applicants or the State Bank. All branches of the Association

will be retained as branches of the State Bank and the Association's home office will become a branch office.

Holding Company Application

Section 10(e)(2) of the HOLA and 12 C.F.R. Part 574 provide that in reviewing the proposed acquisition of a savings association by a savings and loan holding company, OTS must consider the financial and managerial resources and future prospects of the savings and loan holding company and savings association involved, the effect of the acquisition on the savings association, the insurance risk to the SAIF or BIF, and the convenience and needs of the community to be served. Consideration of the managerial resources of a savings and loan holding company or savings association must include consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders of the company and savings association. The OTS must consider the impact of any acquisition on competition. In addition, 12 C.F.R. § 563e.29(a) requires that the OTS take into account assessments under the Community Reinvestment Act (CRA) when approving holding company applications.

The management and board of directors of the Applicants and the State Bank will not change as a result of the proposed transaction. The directors of Bancorp will be offered advisory director positions with the State Bank's Allegheny County Advisory Board. Based on recent examinations of the Applicants, the State Bank and the Association, OTS concludes that the managerial resources of the Applicants, the State Bank, and the Association are consistent with approval of the holding company application.

OTS reviewed the financial position and future prospects of the Applicants, the State Bank, and the Association. The State Bank is, and will continue to be, well capitalized. The Association is well capitalized. The Stock Holding Company will fund the acquisition from cash on hand. OTS concludes, based on a recent examination of the Applicants, that their financial resources and future prospects are acceptable, and that the acquisition will not adversely affect the insurance risk of the SAIF or the BIF.

With respect to the competitive impact of the transaction, the State Bank and the Association have overlapping markets in Allegheny County, Pennsylvania, a part of the Pittsburgh MSA. OTS reviewed the competitive effects of the proposed transaction as measured by the Herfindahl-Hirschman index, and has determined that the transaction will not have a significant competitive effect. OTS also requested a competitive factors report from the United States Department of Justice, which advised OTS that the transaction would not have a significant adverse effect on competition. Accordingly, OTS concludes that there is no basis for objection to the transaction on anti-competitive grounds.

With respect to convenience and needs and the CRA, the State Bank will continue to operate the Association's existing home and branch offices as its branch offices and provide services to the offices' customers and communities. The Association's customers will have greater access to a larger branch and ATM network. The State Bank, Jamestown, and the

Association all have "Satisfactory" CRA ratings. Leeds' latest CRA rating was "Needs to Improve," and was received prior to the Mutual Holding Company's acquisition of Leeds in January 2003. Leeds has responded to the concerns raised in the most recent CRA examination and has taken positive steps to improve its CRA performance. No comments were received on the application regarding CRA. Based on this, OTS concludes that the application adequately addresses the convenience and needs of the relevant communities and the CRA with respect to the State Bank, the Association, Leeds, and Jamestown.

OTS' Mutual Holding Company Regulations provide that a mutual holding company may acquire control of a stock savings and loan holding company, provided that all necessary approvals pursuant to Part 574 are obtained. Bancorp is a stock savings and loan holding company. The Applicants have applied for the necessary approvals under Part 574.

Further, the Mutual Holding Company Regulations provide that, when an acquired stock savings association is merged into a savings association from which a mutual holding company draws its members, "the depositors of the stock association shall receive the same membership rights as other depositors of the association into which the stock association is merged." Upon consummation of the proposed transaction, the former depositors of the Association will have the same rights as the depositors of the State Bank. Therefore, OTS concludes that the requirements under the Mutual Holding Company Regulations are met.

Conclusion

OTS has considered the Application under the standards set forth in 12 U.S.C. § 1467a(e), 12 C.F.R. §574.7, the Mutual Holding Company Regulations, the Community Reinvestment Act, 12 U.S.C. §§ 2901, et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e. OTS finds that the Application satisfies the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee (Regional Director). Accordingly, the Application is hereby approved, subject to the following conditions:

1. Prior to the date of consummation of the proposed transaction, the Applicants, the State Bank, Bancorp and the Association must receive all required regulatory approvals and submit evidence of the approvals to the Regional Director;
2. The proposed transaction must be consummated within 120 calendar days after the date of this Order;
3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Applicants, the State Bank, Bancorp, and Association must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Applicants, the State Bank, Bancorp, and the Association as disclosed in the Application. If additional information having an adverse bearing on any feature of the Application is brought to

the attention of the Applicants, the State Bank, Bancorp, and the Association, or OTS since the date of the financial statements submitted with the Application, the transaction shall not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction; and

4. The Applicants, the State Bank, Bancorp, and the Association must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Application and this Order.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

August 8, 2003.



Scott M. Albinson
Managing Director
Office of Supervision