

LARGE BANK

Comptroller of the Currency

Administrator of National Banks
Washington, DC 20219

Public Disclosure

October 2, 2000

Community Reinvestment Act Performance Evaluation

National Penn Bank
Charter Number: 2137

Philadelphia and Reading Avenues
Boyertown, Pennsylvania 19512

Office of the Comptroller of the Currency
Eastern Pennsylvania Field Office
4 Greenwood Square, Suite 120
Bensalem, Pennsylvania 19020

NOTE: 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.

Table of Contents

General Information	2
Definitions and Common Abbreviations	3
Overall CRA Rating	6
Description of Institution	7
Scope of Evaluation	9
Fair Lending Review	12
Conclusions with Respect to Performance Tests	
Lending Test	13
Investment Test	24
Service Test.....	25
Appendix A: Scope of Evaluation	A-1
Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews	B-1
Appendix C: Tables of Performance Data	C-1

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 CRA performance of **National Penn Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **October 2, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable 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.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area 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 applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope 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, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States 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 Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm non-residential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

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

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

Performance Levels	National Penn Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Low Satisfactory		X	
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:

- Lending levels that reflect a good responsiveness to the credit needs of the AAs.
- A good distribution of loans among borrowers of different income levels and an adequate distribution of loans among geographies throughout its AAs.
- Community Development lending and flexible lending products that had a positive impact on the bank's lending test rating.
- Investments that reflect an adequate responsiveness to the needs in the AA.
- Service delivery systems are readily accessible to geographies and individuals of different income levels in the AAs.
- NPB improved the accessibility of its service delivery systems in moderate-income geographies in the Philadelphia AA.
- Excellent performance in providing community development services that are responsive to the identified needs in the AAs.

- Services tailored to meet the identified need in the AA for bilingual services.

Description of Institution

National Penn Bank (NPB) is a \$2.26 billion full service, intrastate bank headquartered in Boyertown, Pennsylvania. Boyertown is located approximately 30 miles northwest of Philadelphia, Pennsylvania. NPB operates 55 branches and 62 Automated Teller Machines (ATM). NPB has four subsidiaries, Penn 1st Financial Services (PFFS), Penn Securities, 1874 Financial Corporation (1874), and Link Financial Services, Inc. (LFSI). PFFS is a full service mortgage company and 1874 is a subprime commercial lending operation.

NPB requested that we include only those loans associated with PFFS that are located within the bank's Assessment Area (AA). NPB also requested that all loans made by 1874 be included in this evaluation.

LFSI is a life insurance and fixed annuity company and Penn Securities is a brokerage subsidiary. The activities at LFSI and Penn Securities do not impact the bank's CRA activities and are not included in this evaluation.

PFFS, the bank's wholly owned mortgage subsidiary, was formed in May 1999 as National Penn Mortgage Company. In November 1999 NPB acquired RBO Funding, Inc., a subprime mortgage company located in McLean, Virginia. These two companies were merged to form PFFS. NPB's wholly owned subprime commercial lending subsidiary, 1874 Financial Corporation, was also formed in 1999. NPB also acquired a \$300 million community bank located in Chester County in January 1999.

NPB is the lead bank of National Penn Bancshares, Inc. and makes up 98% of the holding company's assets. The holding company also operates Investors Trust Company, National Penn Investments, and National Penn Life Insurance Company. National Penn Investments is an investment subsidiary that holds a portion of NPB's investment portfolio, including some community development investments. These investments were included in this evaluation. The remaining subsidiaries and affiliates have no financial impact on NPB's ability to lend or invest for community development purposes. There are no impediments, legal or otherwise, that would hinder the bank's ability to help meet the community's credit needs.

As of June 30, 2000 bank assets totaled \$2.26 billion, including loans of \$1.61 billion and investments of \$501 million. Total deposits were \$1.6 billion. The loan portfolio was comprised of the following: 44% or \$704 million in residential

mortgage loans, 46% or \$736 million in commercial loans, 5% or \$80 million in consumer loans and 5% or \$80 million in other loans. Tier 1 capital was \$157 million.

The bank's AAs consist primarily of Berks County and Montgomery County, and portions of Bucks and Delaware counties. Competition primarily comes from large national and regional institutions as well as large community banks located within the AAs. Competition is high for all lending types, but particularly community development lending. The bank has recently expanded its market farther into Philadelphia County, which is heavily banked for all types of loans and services.

Since the last evaluation, NPB has acquired or built seventeen branches and closed twelve branches, which included one merger and two relocated offices. These activities are fully discussed in the Services section of this Evaluation.

NPB is a full service bank offering a variety of commercial loans, residential loans, and consumer loans. Various divisions within the bank focus on specific markets, including private banking, mutual fund and investment products, real estate lending, residential mortgage lending, subprime lending, and service to Philadelphia's Asian community. NPB is an active Small Business Administration (SBA) lender under the Preferred Lender Program. The bank recently received the "New Markets Lender Award" for its loan originations and activities with women, minority, and veteran-owned small businesses. The bank is also an active participant in the secondary residential mortgage market. During the evaluation period, NPB originated and sold 377 loans totaling \$77 million under national secondary market programs.

NPB's last CRA examination was dated October 5, 1998. The bank received a

Scope of the Evaluation

Evaluation Period/Products Evaluated

The period of review includes home mortgage and small business loans from July 1, 1998 through June 30, 2000. CD lending, investments, and service activities cover the period from October 6, 1998 through October 2, 2000. Home mortgage loans for the acquired institution includes lending activity from the date of the acquisition, January 1, 1999 through June 30, 2000. This activity is included on the standard tables in Appendix-C. CD lending, investments and services for the acquired institution cover January 1, 1999 through October 2, 2000. The acquired institution was not required to report small loans to businesses.

NPB requested that we consider consumer loan activity in this evaluation covering the period July 1, 1998 through June 30, 2000. The bank also provided us with small loans to business secured by residential mortgages (other loan data) for consideration.

NPB requested that we include loans made by PFFS that are located within the bank's Assessment Area (AA), and all loans made by 1874 financial corporation during the evaluation period.

Farm lending is not a primary product of NPB and is not included in this evaluation. Small business and home purchase lending received more consideration in assessing the overall rating. CD activities had a positive impact on the rating.

Data Integrity

As part of this CRA evaluation, NPB's publicly filed information on home mortgage loans and small loans to businesses were tested for accuracy. NPB also collected optional consumer loan data and business loans secured by residential real estate to be included in this evaluation.

No significant errors were found in the reported home mortgage or the small business loan data. While errors were detected in key fields for the data reviewed, management researched the cause and corrected exceptions prior to this evaluation. Overall, the data integrity of reported mortgage loans and small business loans is considered accurate.

CD loans, consumer loans, investments and services submitted by management were verified during the examination to ensure that they met the regulatory definition for community development. A portion of loans to small businesses and

consumer loans were inaccurately reported as CD loans. These loans are associated with several of the bank's micro loan pool organizations and a matching loan fund for affordable housing, but should have been reported under loans to small businesses and consumer loans, respectively. Incorrect reporting for the bank's Report of Condition led to their omission from loan data collected for the CRA. This evaluation does not include the affected loans. However, the total dollar and volume of these loans is not considered significant and does not materially impact the results of this evaluation.

Selection of Areas for Full-Scope Review

NPB has four AAs in southeastern Pennsylvania consisting of portions of the Philadelphia CMSA - 6160 (Philadelphia AA), the entire Reading MSA - 6680 (Reading AA), portions of the Allentown-Bethlehem-Easton MSA - 0240 (Lehigh AA), and portions of the Lancaster MSA - 4000 (Lancaster AA). Two of the bank's four AAs were selected for a full scope review, the Philadelphia AA and the Reading AA. These areas comprised the majority of NPB's deposit and loan market and are representative of the bank's operations. The Lehigh and Lancaster AA's are not considered primary markets for NPB. NPB's limited presence in these AAs was a determinant in their selection for a limited scope review. The areas selected for full scope reviews received the most weight when determining the overall rating. Refer to Appendix A for details of selected AAs.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. In arriving at the rating, the Philadelphia AA received the most weight as more than 50% of both loans and deposits were originated in this AA. The Reading AA ranked second and received proportionate weighting as over 30% of loans and 40% of deposits were originated within the AA. The two AAs evaluated under Limited Scope include less than 12% of both loans and deposits combined.

Other

Community contacts were performed with a housing organization in the Philadelphia AA and a community development organization in the Reading AA. Reviews were also performed of eight previously documented community contacts from within the AAs. These community contacts consisted of civic organizations, housing organizations, business development organizations, and emergency assistance organizations. Community credit needs identified included all types of housing needs in LMI areas and to LMI persons, particularly home purchase and home improvement needs. Credit needs were also identified for small business lending with specific needs for very small dollar loans in economically targeted

development areas.

The greater Philadelphia area is home to many area specific housing organizations and micro-loan organizations. These organizations vie for service related assistance through lending and organizational expertise, funding assistance in the form of donations for operating expenses, and participation in a variety of programs such as loan pools, FHLB programs, and housing development in LMI areas and to LMI persons. Refer to Market Profiles in Appendix B of this Evaluation for more information.

Fair Lending Review

An analysis of the most current HMDA, Small Business, and Small Farm lending data, public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA Evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

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 "High Satisfactory". Based on full-scope reviews, the bank's performance in the Philadelphia AA is good and the Reading AA is good.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

NPB originated 83% of all home mortgage and small loans to businesses within the combined full-scope AAs. In the Philadelphia AA, approximately 48% of the volume of loans originated during the evaluation period were home mortgage loans, with small loans to businesses comprising the majority of the remainder. In the Reading AA, approximately 69% of loans originated during the evaluation period were home mortgage loans, with small loans to businesses comprising the majority of the remainder. NPB also makes small loans to businesses that are secured by residential mortgages. These loans are not reportable under the CRA and are not included in the Tables in Appendix C. During this evaluation period, NPB originated 72 of these loans totaling \$3.4 million. By volume, 74% were originated in the Philadelphia AA and 18% in the Reading AA.

Among the volume of home mortgage loan originations in the Philadelphia AA, approximately 24% were for home purchase, 32% were for home improvement, and 43% were for home refinance. Among home mortgage loan originations or purchases in the Reading AA, approximately 33% were for home purchase, 26% were for home improvement, and 41% were for home refinance.

The volume of NPB's small farm originations, less than .20%, is not material. Agricultural lending is not a primary business line of NPB.

Lending activity is good in the Philadelphia and Reading AAs when considering the strong competition in both AAs. According to June 30, 1999 FDIC data, 51% of the bank's deposit are held in the Philadelphia AA. By individual counties, the bank ranks 15th among deposit taking institutions with a 1.76% market share in Bucks County; 13th in Montgomery County with a 1.99% market share; 6th in Chester

County with a 5.93% market share; and 24th in Philadelphia County with .38% market share. NPB has a single branch in Delaware County and a deposit share of less than .03%, precluding a FDIC ranking.

NPB ranks 8th with a 1.9% market share for its volume of small loans to businesses within the Philadelphia AA. The bank's ranking is good given the presence of two credit card companies that capture almost 50% of market share that extend small dollar credit card loans. The remaining five financial institutions are comprised of one large national bank, two large regional banks, and two direct competitors.

NPB also ranks competitively among mortgage lenders in the Philadelphia AA. NPB ranks 65th and 38th for its volumes of home purchase and home refinance loans, respectively. These markets are highly competitive as demonstrated by the large volume of lenders that hold a market share ranging from 2% to 5%. NPB has less than 1% of both the home purchase and the home refinance market. The bank demonstrates a good commitment to the home improvement market with a 14th place ranking and 1.1% market share among 179 lenders with three of those lenders capturing over 70% of the market.

According to June 30, 1999 FDIC data, 40% of the bank's deposit are held in the Reading AA. NPB ranks 3rd among deposit taking institutions with a 13.48% market share. Eighteen of the bank's 61 branches (30%) are located in Berks County.

NPB ranks 6th with an 8.4% market share for its volume of small loans to businesses within the Reading AA. The bank's ranking is good given the presence of two credit card companies that capture almost 30% of market share and extend small dollar credit card loans. The remaining three financial institutions are comprised of one large national bank and two direct competitors.

In the Reading AA, NPB ranks 10th and 7th for its volumes of home purchase and home refinance loans, respectively. These markets are highly competitive as demonstrated by the absence of any one lender holding a market share over 10%. NPB has 3% of the home purchase market share and 3.8% of the home refinance market share. The bank demonstrates an excellent commitment to the home improvement market with a 4th place ranking and 8.9% market share among 77 lenders with the three top lenders capturing almost 70% of the market.

NPB's average quarterly loan to deposit ratio since June 30, 1998 is 98%, exceeding the national peer ratio of 82%. The bank's loan to deposit ratio at June 30, 2000 is 98%.

Distribution of Loans by Income Level of the Geography

The geographic distribution of NPB's home mortgage loans, small loans to businesses, and consumer loans reflects adequate penetration throughout the full-scope AA geographies. Performance is adequate in both the Philadelphia AA and the Reading AA. The volume of small loans to farms was not significant enough to perform a meaningful analysis.

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The overall geographic distribution of home mortgage loans is adequate in both full-scope AAs when considering the opportunities available, area demographics, and strong competition.

NPB's home purchase loan geographic distribution is adequate in both full-scope AAs. The percentage of lending in moderate-income geographies is below the percentage of owner occupied housing in these geographies for both full-scope AAs. The percentage of lending in low-income geographies in the Reading AA is near to the percentage of owner-occupied units. In the Philadelphia AA the percentage of lending in low-income geographies is well below the percentage of owner-occupied units. The market shares in moderate-income geographies substantially meet the bank's overall market share for both full-scope AAs. The market share in low-income geographies in the Reading AA substantially meets NPB's overall market share.

NPB's home improvement loan geographic distribution is adequate in the Reading AA and poor in the Philadelphia AA. The percentage of home improvement loans in the Reading AA in low- and moderate-income areas is below the percentage of owner occupied housing in those geographies. In the Philadelphia AA the percentage of home improvement loans in the moderate-income geographies is well below the percentage of owner-occupied units. No loans were made in low-income geographies. In the Reading AA the market share in low-income geographies substantially exceeds the bank's overall market share and is below the NPB's overall market share in moderate-income geographies. The market share in moderate-income geographies in the Philadelphia AA is below the bank's overall market share.

NPB's home refinance geographic distribution is adequate in the Reading AA and

poor in the Philadelphia AA. In the Reading AA the percentage of lending in low- and moderate-income geographies is below the percentage of owner-occupied units. In the Philadelphia AA the percentage of lending in low- and moderate-income geographies is well below the percentage of owner-occupied units. The Market shares in low- and moderate-income geographies are below the bank's overall market shares in both AAs.

The substantial majority of home mortgage lending opportunities is concentrated in middle and upper income geographies in both assessment areas. While there are more limited lending opportunities in low-income geographies than in the moderate-income geographies in the AAs, area demographics and strong competition for home mortgage lending from banks, mortgage companies and non-bank financial institutions has some impact on the bank's geographic distribution performance.

In the Philadelphia AA, 5% percentage of owner occupied housing units are in low-income geographies. representing 26 thousand out of 525 thousand housing units. In addition, a high percentage (40%) of the households in low-income geographies are below the poverty level. Fourteen percent of the owner occupied housing units are in moderate-income geographies representing 74 thousand housing units out of the 525 thousand units. Twenty-one percent of the households in moderate-income geographies are below the poverty level.

In the Reading AA, Two percent of the owner-occupied housing units representing less than two thousand housing units of the 94 thousand units are located in low-income geographies. Thirty-five percent of the households in low-income geographies are below the poverty level. Nine percent of owner-occupied housing units representing 8 thousand units of the 94 thousand units are in moderate-income geographies. Twenty percent of the households in moderate-income geographies are below the poverty level.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is good in the Philadelphia and Reading AAs. The percentage of loans in the Philadelphia AA's low- and moderate-income geographies is near to the percentage of business within those geographies. The bank's commitment to small loans to businesses in the Philadelphia AA is also demonstrated through achievement of a market share in low- and moderate-income geographies that substantially meets its overall market share.

In the Reading AA, the percentage of loans in low-income geographies equals the percentage of businesses in those geographies. In addition, the distribution of loans in moderate-income geographies is near to the percentage of businesses in those geographies. NPB also demonstrates a strong commitment to loans to small businesses in the Reading AA by achieving a market share in low-income geographies that substantially meets its overall market share and achieving a market share in moderate-income geographies that well exceeds its overall market share.

Other Loan Data

The geographic distribution of small loans to businesses secured by residential real estate is adequate in both full-scope AAs. The percentage of loans in moderate-income geographies in the Philadelphia AA exceeds the percentage of businesses in those geographies. However, NPB did not make any of these loans in the AA's low-income geographies. The percentage of loans in low-income CT's in the Reading AA exceeds the percentage of businesses in those geographies. However, NPB did not make any of these loans in the AA's moderate-income geographies.

Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

An analysis of small loans to farms is not meaningful, as this type of activity is not significant to the bank's operations.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

NPB's geographic distribution of consumer loans is adequate in both full-scope AAs when considering the percentage of households below the poverty level and the high rate of unemployment within low- and moderate-income geographies.

NPB's percentage of loans in low- and moderate-income geographies in both full-scope AAs is below the percentage of population residing in low- and moderate-income areas.

In the Philadelphia AA, forty percent of the households are below the poverty level. In addition, unemployment rates far exceed the overall AA average at 7%.

Moderate-income geographies indicate similar demographics with the percentage of households below the poverty level at 21% and unemployment at 5%.

In the Reading AA, thirty-five percent of the households are below the poverty level in low-income geographies and the unemployment rate is 5%. Moderate-income geographies indicate similar demographics with 20% of the households living below the poverty level and an unemployment rate of 5%.

Lending Gap Analysis

Maps and reports detailing NPB's lending activity over the evaluation period for home mortgage and small loans to businesses were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

Inside/Outside Ratio

This portion of the evaluation was performed at the bank level as opposed to the AA level. This information includes originations and purchases only and does not include extensions of credit by affiliates that are being considered under the other performance criteria. Specifically, the home mortgage loans originated through bank affiliate, PFFS, are not included in this analysis.

NPB originates a substantial majority of its home mortgage and small business loans within the combined AAs. NPB originated 78% by volume and 84% by dollar of all home mortgage loans and 88% by volume and 85% by dollar of all small business loans within the combined bank AAs. The high percentage of loans made within the AA demonstrates a strong commitment to both mortgage and small business lending. In addition, the bank demonstrates a strong commitment to small dollar business lending within the AA. The following table illustrates the percentage of loans to businesses by loan size made within the AA.

Loan Size	Volume	Dollar
Under \$100M	90%	86%
\$100M to \$250M	85%	86%
Over \$250M to \$1MM	84%	85%

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate

the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution of NPB's home mortgage loans and small loans to businesses, reflects a good distribution among borrowers of different income levels throughout the full-scope AAs. The borrower distribution for consumer loans is excellent. Performance is good in the Philadelphia and Reading AAs.

The percentage of home purchase loans made to moderate-income borrowers in both the Philadelphia AA and the Reading AA well exceeds the percentage of moderate-income families in the AAs. The bank's percentage of home purchase loans made to low-income borrowers in both the Philadelphia AA and the Reading AA is below the percentage of low-income families in the AA. However, this is good performance when considering the cost of housing in the AAs for a low-income family and the percentage of households living below the poverty level.

In the Philadelphia AA, the median cost of housing in the entire AA, based on 1990 data, is \$128,000. A low-income person earns less than \$28,900 annually per HUD's updated median family income. Additionally, approximately 10% of the households in the AA are below the poverty level.

Additionally, over 40% of low-income families in the Philadelphia AA live in middle- and upper- income geographies. The median values of homes in these geographies, based on 1990 data, are \$112,167 and \$192,270, respectively.

In the Reading AA, the median cost of housing in the AA, based on 1990 data, is approximately, \$79,000. A low-income person earns less than \$25,000 annually per HUD's updated median family income. Additionally, 8% of the households in the AA are below the poverty level.

Additionally, approximately 70% of low-income families in the Reading AA live within middle- and upper-income geographies. The median values of homes in these geographies are \$84,437 and \$104,582, respectively.

The percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in both the Philadelphia AA and the Reading AA. The percentage of home improvement loans made to low-income borrowers is below the percentage of low-income families in both full-scope AAs. The cost of housing for a low-income person and the percentage of households below the poverty level in both AAs, as discussed above, impact the opportunities for home improvement loans to low-income borrowers.

The percentage of home refinance loans made to moderate-income borrowers

equals the percentage of moderate-income families in the Philadelphia AA. The percentage of home refinance loans made to moderate-income borrowers is near the percentage of moderate-income families in the Reading AA. The percentage of home refinance loans made to low-income borrowers is below the percentage of low-income families in both full-scope AAs. The cost of housing for a low-income person and the percentage of households below the poverty level in both AAs, as discussed above, impact the opportunities for home improvement loans to low-income borrowers.

In the Philadelphia and Reading AAs, NPB exceeds or substantially meets its overall market shares for home purchase, home improvement, and home refinance lending to low- and moderate-income borrowers.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

NPB's distribution of small loans to businesses in both the Philadelphia AA and Reading AAs is good when considering the strong competition for these loans.

In both AAs the portion of NPB's small loans to small businesses (businesses with gross annual revenue's of \$1million or less) is below the portion of small businesses in both AAs. The portion of loans of \$100,000 or less in both AA is also below the portion of businesses defined as small in AAs. This performance is good when considering the strong competition for these type loans, in the AAs, as discussed below.

In the Philadelphia AA, NPB ranks 8th among lenders making small loans to small businesses. Two lenders control over 50% of the market. This is a highly competitive market where a small number of lenders dominate a significant portion of the market. The top two lenders are credit card companies that make small dollar loans. The remaining five lenders are two large regional banks, one large bank and two direct competitors.

In the Reading AA, NPB ranks 6th among lenders making small loans to small businesses. The top four lenders control approximately 60% of the market. The top two lenders control over 30% of the market and the next two lenders control 27% of the market. The top two lenders are credit card companies that make small dollar loans. The remaining three lenders comprise a large bank and two direct competitors.

Small Loans to Farms

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

An analysis of small loans to farms is not meaningful, as this type of activity is not significant to the bank's operations.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

NPB's record of lending to borrowers of different income levels is excellent in both full-scope AAs. The percentage of loans to low-income borrowers well exceeds the percentage of low-income households in both AAs. The bank's percentage of loans to moderate-income borrowers in the Philadelphia AA also exceeds the percentage of moderate-income households in the AA. The bank's percentage of loans to moderate-income borrowers in the Reading AA nears the percentage of moderate-income households in the AA.

Community Development Lending

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

Community Development lending had a positive impact on the Lending Test conclusions for the Philadelphia AA and a neutral impact on the conclusions for the Reading AA. The number and dollar amount of CD loans in the Philadelphia AA are considered good based on the strong competition for these types of loans. CD loans are responsive to the identified housing needs for low-and moderate-income individuals both AAs.

In the Philadelphia AA, NPB committed to six CD loans totaling \$1,610,000. During the evaluation period \$884,000 was extended. In the Reading AA, one loan for \$146,000 was originated. None of these loans are considered complex or innovative.

Additionally, the bank originated home mortgage and small loans to businesses in the Philadelphia and Reading AAs that had community development characteristics. These loans were reported and evaluated in the HMDA and small loans to businesses lending activity included in the standard tables in Appendix-C. The following are CD loans originated during the evaluation period in the two full-

scope AAs follow:

NPB originated a \$460 thousand loan to finance the renovation and rehabilitation of five properties in a targeted rehabilitation neighborhood in a low-and moderate-income area of Norristown. The project is also supported by county funding and promotes affordable housing to LMI persons.

NPB originated a \$205 thousand loan to a local developer for the purchase and rehabilitation of eleven distressed properties. Over 50% of the properties are located in moderate-income CT's and are operated under the Section 8 rental subsidy program.

NPB originated a \$64 thousand loan to a nonprofit housing development agency in Germantown. Germantown is located in north Philadelphia and is targeted for revitalization under local, state, and federal initiatives. The bank's loan was for the acquisition of two vacant properties in moderate-income areas. Funding for the revitalization project is a combination of public and private dollars.

NPB originated an \$85 thousand loan to a nonprofit agency that provides housing for displaced youth in Horsham. The agency acquires and utilizes group homes for children that are in government custody. Each child is subsidized by a combination of county and federal funding. This loan targets a group home facility for primarily low-and moderate-income adolescent girls. The agency's housing initiatives are funded by a combination of federal, county, and private dollars.

The bank committed \$300 thousand to the Community Lenders Community Development Corporation (CLCDC) under an agreement to lend. During this evaluation period the bank extended \$62 thousand. The CLCDC is a non-profit organization dedicated to revitalization of targeted communities and affordable housing throughout Bucks County and Montgomery County. Residential housing programs must meet low- and moderate-income requirements under HUD. Community Investment programs must offer clear public benefit to the targeted low- and moderate-income areas in which they are developed.

NPB committed \$350 thousand to the Pennsylvania Community Development Bank (PCDB) under an agreement to lend in May 2000. The PCDB originated a \$500 thousand loan during the assessment period with NPB extending \$8 thousand of that amount. The PCDB is a non-profit organization dedicated to making capital available for small businesses and job creation in low-income and distressed areas of Pennsylvania.

In the Reading AA, NPB originated a \$146 thousand loan to a nonprofit agency to acquire a group home facility for mentally or physically handicapped persons.

Residents must meet income and asset limitations for eligibility in the home and approximately 90% of all of the nonprofit clients are low-income. The bank also provided favorable financing concessions with the loan.

NPB is actively involved in a number of small business micro loan funds in several counties. These loans have community development characteristics and are reported under small loans to businesses. The micro loan funds provide very small businesses, which may not have access to credit through traditional credit providers, the ability to obtain small dollar loans under reasonable terms. NPB's participation in the micro loan funds results in the bank's participation (the bank's portion generally ranges from \$500 to \$3,500) in the extension of credit among a greater number of small businesses than may have been otherwise possible.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the Lending Test conclusions for both the Philadelphia AA and the Reading AA.

NPB offers two flexible mortgage-related lending programs, the CRA Target Mortgage Program (CTM) and The Neighborhood Housing Services Program (NHS).

The CTM program targets low- and moderate-income areas in the bank's AA and offers flexible underwriting such as 100% financing and less stringent debt and credit history guidelines.

The NHS program targets low- and moderate-income first time homebuyers in the bank's Reading AA and offers flexible underwriting such as financing in excess of 100%, minimum closing cost requirements, and mandatory budget counseling. An NPB representative assisted NHS with a program revision in September 2000 to incorporate market needs for home improvement funding. A need was identified to provide an affordable means to make identified home repairs for homebuyers in the program. In response, an additional \$3,000 for home repairs is now available in conjunction with the overall first time homebuyers program. The recent revision to the NHS homebuyer programs is considered innovative. The remaining programs are not considered innovative. Loans originated under these programs are included in the home mortgage tables in Appendix C. During the evaluation period, NPB made:

- twenty-five loans totaling \$1.6 million in the Philadelphia AA and eight loans totaling \$318 thousand in the Reading AA under the CTM program, and;
- nineteen loans totaling \$508 thousand in the Reading AA under the NHS program.

The bank also participates in flexible mortgage loan programs offered under government agencies including the Pennsylvania Housing Finance Agency, the Federal National Home Loan Program (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). The loans originated under government agency programs are sold on the secondary market. Loans originated under these programs are included in the home mortgage tables in Appendix C. During the assessment period, NPB made 16 loans totaling approximately \$1.4 million under these agencies flexible lending programs in the Philadelphia AA and 43 loans totaling approximately \$3 million in the Reading AA.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in the Lehigh AA and the Lancaster AA is not inconsistent with the bank's overall "high satisfactory" performance under the Lending Test.

Refer to Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Philadelphia AA is adequate and in the Reading AA is adequate.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Investment opportunities are available in both AAs. Please refer to the Market Profile section in Appendix B for a discussion of the opportunities in each AA. The volume of NPB's investments is adequate when considering that the bank is limited in taking advantage of investment opportunities in both AAs based on their volume of lending in relation to their deposit capacity.

In the Philadelphia AA, the bank has four investment commitments totaling approximately \$3.6 million that were made in prior evaluation periods. NPB extended \$1 million during this evaluation period. Approximately \$2.6 million was funded during the prior evaluation period.

In the Reading AA, NPB has five investment commitments totaling approximately \$1.6 million that were originated in prior evaluation periods. The bank extended \$243 thousand during this evaluation period. Approximately \$1.3 million was funded during the prior evaluation period. Investments include an equity investments for low income housing tax credits (LIHTCs) that addressed affordable housing needs, and a Small Business Investment Company (SBIC) that addressed small loans to businesses throughout the Philadelphia and Reading AAs.

During the evaluation period, NPB extended commitments that were made in the prior period that provided funding for affordable housing and small business loans. These investments are responsive to the identified needs in both AAs. Investments originated in prior periods continue to have a positive impact in both AAs through the sustained promotion of small business development in targeted economic areas and job creation among low- and-moderate income persons.

In addition, NPB made a \$5 million commitment to invest in an SBIC addressing small loans to businesses that will benefit the Philadelphia and the Reading AAs. This investment is allocated to the AAs based on the bank's pro rata share of deposits in each AA. Refer to Table 12 in Appendix C.

Grants/Donations - NPB made grants and donations totaling \$117 thousand to twenty-three organizations in the Philadelphia AA during the evaluation period. The grants and donations address the community needs of the AA as noted in the Market Profile in Appendix B. NPB also provided grants and donations totaling \$46 thousand to twelve local non-profit organizations for various projects and CD initiatives throughout the Reading AA during the evaluation period. The grants and donations were primarily related to affordable housing activities. The grants and donations addressed the community needs of affordable housing as noted in the Market Profile in Appendix B.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Lehigh and the Lancaster AAs are not inconsistent with the bank's overall "low satisfactory" performance under the Investment Test. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Outstanding." Based on the full-scope reviews, NPB's performance in both the Philadelphia AA and the Reading AA is excellent.

Retail Banking Services

Refer to Table 13 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.

NPB's delivery systems are readily accessible to geographies and individuals of different income levels throughout both full-scope AAs. As of 9/30/2000, the bank had 55 branch facilities located throughout Southeastern Pennsylvania. While all of these locations are chartered as full service branches, seven of the locations operate as business loan centers and focus on small business and commercial lending activities.

Accessibility is excellent in the Philadelphia AA and the Reading AA. In the Philadelphia AA, the distribution of offices throughout the moderate-income geographies is near to the distribution of the population living in such geographies. In the Reading AA, the distribution of offices throughout the moderate-income geographies is less than the distribution of the population living in these geographies. No branch offices are located in low-income geographies in both AAs. Eight percent of the population in the Philadelphia AA reside in the low-income geographies. Three percent of the population reside in low-income geographies in the Reading AA. NPB's branch offices are readily accessible to low- and moderate- income areas in both AAs due to the close proximity of their branch network to these areas as discussed below.

Philadelphia AA

In Montgomery County there are four offices that are located in close proximity to low- and moderate-income geographies. One full service branch and one newly opened business loan center are located in the same moderate-income tract in Pottstown, approximately two miles apart. This moderate-income geography is adjacent to and less than one-half mile from two other moderate-income geographies. Another branch is located in a middle-income geography in Pottstown and is adjacent to the moderate- income geography and less than one-half mile away from the Pottstown business loan center. The bank's Norristown office is located in a middle-income geography and is less than one mile away from four moderate-income geographies in Norristown.

The bank's East Falls branch is located in a moderate-income geography in

Philadelphia and an additional branch was opened on Washington Avenue, which is located in a moderate-income geography in Center City. The Philadelphia County portion of the bank's AA comprises 39 low-income and 54 moderate-income geographies. These two branches are in close proximity to numerous low- and moderate-income geographies in Philadelphia. NPB branches are also located in two upper income geographies. The Chestnut Hill Branch is adjacent to one moderate-income geography, and numerous low and moderate geographies are within one to four miles away. The Cathedral Village branch is located in a retirement center and caters to the services and needs of the residents.

The bank's West Chester office is located one block from a moderate-income geography in West Chester. The bank's Warminster branch is located approximately one-half mile from a moderate-income geography and is reasonably accessible to the individuals residing in that area.

Reading AA

The Reading AA contains four low-income geographies and fifteen moderate-income geographies. In the Reading AA, there are two offices located in close proximity to low- and moderate-income areas and one branch in a moderate-income geography. Two low-income and six moderate-income geographies surround the branch located in a moderate-income geography. The other two branches are located in geographies adjacent to low and moderate-income geographies.

The bank's record of opening and closing branches has improved the accessibility of its delivery systems especially in low- and moderate-income geographies. Branches closed in moderate-income geographies did not adversely impact the delivery of services to residents in those areas.

Since the last evaluation, NPB opened 17 branch offices and closed 12 branch offices, throughout its AA. Nine of the new offices were acquired as part of the Elverson NB purchase of which five are located in middle-income geographies and four are located in upper-income geographies. The remaining eight locations were *de novo* offices of which six are located in upper-income geographies, and two are located in moderate-income geographies. Four of the eight *de novo* branches are business loan centers. One of these is located in a moderate-income geography in Pottstown. One of the new traditional branches is located in a moderate-income geography in Center City Philadelphia.

The bank's branch office hours are generally consistent throughout its network and are extended at supermarket branch locations and drive-through facilities during the week, and at most locations on weekends. NPB's hours and services offered throughout the full-scope AAs are good. Office hours and services in both full-scope AAs include the availability of loan officers for all loan products and are comparable among locations regardless of the income level of the geography.

Banking hours and services provided Monday through Friday are supplemented by Saturday hours at the majority of banking facilities located in the two AAs. Thirty branches offer extended Saturday hours. The bank also provides seven branch offices in area supermarkets with favorable hours ranging from 9:00 or 10:00 a.m. to 6:00 or 7:00 p.m. Monday through Friday. Six of the supermarket locations offer Saturday hours, and four locations offer Sunday hours.

Thirty of the fifty-five offices have drive-through facilities. Drive-through hours are similar to the branch hours of operation. The Pottstown Downtown and East Falls drive-through facilities are located in moderate-income geographies and the remaining 28 drive-through facilities are located in middle and upper geographies.

NPB's ATM network offers an effective alternative delivery system for obtaining cash and utilizing the MAC system for accessing public assistance benefits. The bank has a total of 62 proprietary ATMs. The Philadelphia AA contains 39 ATMs. Three ATMs representing 8% of the total in the AA are located in moderate-income geographies. This is below the percentage of population in moderate-income geographies at 15%. However, the bank also maintains ATMs in middle-income CTs that are located in close proximity to low- and moderate-income geographies. These ATMs are located in the bank's branch network and are discussed above. The Reading AA contains 22 ATMs. Two ATMs representing 10% of the total in the AA are located in moderate-income geographies, which is near the percentage of population in moderate-income geographies at 13%.

However, the bank also maintains ATMs in middle-income geographies that are located in close proximity to low- and moderate-income geographies. These ATMs are located in the bank's branch network and are discussed above. NPB does not have any ATMs located in low-income geographies in either the Philadelphia or Reading AA. Forty-three of the bank's fifty-five offices have on-site ATMs that are accessible 24 hours a day.

Additionally, the bank has eighteen remote ATMs located throughout the AAs, and one additional cash dispensing ATM that is located outside of the AAs. This ATM was not considered in the evaluation of the service test. Twelve ATMs provide 24-hour service and six, situated in local businesses, are in operation during

business hours. While the remote ATMs are limited service, they do ensure that cash is available to all customers throughout the AAs.

The bank has three remote ATMs located at businesses that offer extended hours, in moderate-income geographies.

NPB offers four types of alternative delivery systems available in all AAs; ATMs, telephone banking, PC banking and Internet banking.

Of these, the ATMs located in moderate-income geographies at the Reading Buttonwood IGA and the Pottstown Redner's Quick Shoppe assist recipients of public assistance by providing electronic access to their benefits. While all of the bank's ATMs offer this service at no expense, the bank's marketing studies indicated a high usage of these ATMs for this service. The locations of these ATMs are accessible to adjoining moderate-income geographies.

We did not place significant weight on the three remaining alternative delivery services when determining our conclusions since management has no method to determine if these services benefit low-and moderate-income geographies or individuals. These services allow customers to obtain deposit and loan account information, make payments on NPB loans, transfer funds, and pay other household bills. Additionally, the Internet and PC banking activities allow customers to apply for loans. NPB introduced Empower PC Banking during the prior evaluation period, which allows businesses to generate electronic funds transfers including wire payments, direct deposit of payroll, stop payments, issue checks electronically, generate tax payments to governmental authorities, transfer funds between accounts, and initiate wire transfers.

NPB has tailored its services by providing bilingual employees at several branch locations where demographic information supported this need. Employees at the bank's National Asian Division offices speak a number of different Asian languages including Korean, Chinese, and Vietnamese. In turn, NPB has stationed foreign language-speaking employees at the bank's customer service center in Spanish, Korean and German. Bilingual services are an identified need in the bank's AA.

The bank offers affordable consumer deposit and small business products priced to meet the needs of a variety of customers, including those maintaining minimal balances or those with infrequent transactions. The bank offers a non-interest bearing, no transaction fee checking account, requiring no minimum balance to consumers. NPB also offers a similar checking account to non-profit organizations.

NPB also provides no-fee checking accounts with no minimum balance requirements, free first order of checks, and no limits on the number of deposits or

withdrawals to employees of local businesses that participate. This service is available to all employees regardless of income level.

Community Development Services

In both full-scope AAs, the bank has an excellent record of providing community development services. NPB provided a high level of CD services in both full-scope AAs. Numerous bank officers and employers participate in providing these services to a significant number of community development organizations. Several of the CD services are considered innovative and/or complex. The CD services provided during the evaluation period are very responsive to the identified needs in both full-scope AAs. The list that follows is a sample of some of the CD services that were provided during the evaluation period. The list is not all-inclusive.

CD Services include educational programs for low- and moderate-income first-time homebuyers and small business owners, and technical assistance to community development organizations. NPB also provides representation on boards and committees to facilitate CD services to community organizations.

Examples of CD activities in the Philadelphia AA during the evaluation period include:

NPB participates in several micro loan funds by providing technical knowledge through its representation on each Board, which review loans to small businesses. Five bank representatives are involved in the Boards and associated loan committees. These micro loan funds include *PARTNERS for small Business Development, Inc. - Micro Loan Funds in Bucks, Lower Bucks, Chester/Delaware, and Montgomery Counties (PARTNERS)* and the *Philadelphia Micro Loan Fund (PMLF)*.

PARTNERS is an organization that was created to provide entrepreneurial training and micro loan packaging for startup and emerging small and micro businesses in the Greater Delaware Valley Area. Their purpose is to encourage the growth of small business enterprise and neighborhood economic development, through entrepreneurial training, technical assistance, and the creation of micro loan fund consortia.

The PMLF is an organization created as a result of the commitment of funds from over thirteen banks to make micro loans available to Philadelphia based businesses. Loans are made to retail and service businesses with revenues equal to or less than \$1 million. Loans are also made to manufacturing businesses with revenues equal to or less than \$2 million, which includes small businesses. The loans range in size from \$5,000 to \$25,000. In addition, the bank is providing loan

servicing activities for the Lower Bucks Micro Loan Fund for eleven loans that were booked prior to 1999; servicing will be provided for the lives of these loans. Loan servicing activities include performing the monthly billings, collecting the monthly payments, and making monthly remittances. It also involves a quarterly reporting function to all participating lenders.

NPB is a member of a consortium of thirteen banks that have joined together to meet the housing and related needs of primarily low-and moderate-income residents in a portion of the bank's AA under the Community Lenders Community Development Corporation (CLCDC). The bank's CRA Officer/AVP is a member of the Board and the Loan and Marketing Committees. A SVP of the bank is on the loan review committee. The CLCDC is designed to make loans to organizations, and participate in tax credit projects, that serve low and moderate-income individuals and families of Bucks and Montgomery Counties.

A SVP and lender of the bank is currently the Chairperson of a committee on the Chester County Development Council. This organization encourages and promotes the economic growth and prosperity of Chester County. The council serves as a resource center for businesses, including small businesses, seeking to expand or locate within or to the county. It offers various programs and financial packages, and facilitates and supports economic transactions that will benefit the county and its residents. In this capacity the employee reviews all loan requests and meets with prospective businesses that are considering relocating to Chester County.

An EVP and lender of the bank assisted the Mt Airy USA CD organization in acquiring distressed properties through structuring financing packages. The EVP also negotiated a homebuyer-counseling contract between the agency and the city of Philadelphia and was the force that initiated this partnership for the organization. This is considered as innovative, as this service has not been offered in the past. In addition, the extraordinary amount of time, effort, and resources used by the bank to bring this project to fruition makes it complex.

Mt. Airy USA is a CDC located in the Mt. Airy section of Northwest Philadelphia that includes one low and five moderate income geographies within its boundaries. This organization is committed to bringing new businesses to the community to continue to develop and stabilize this area. More recent activities include sponsoring homeownership seminars, which are available to individuals of all income levels including low and moderate-income individuals.

The bank's CRA officer is this Treasurer of the Montgomery County Housing Coalition (MCHC). The position's responsibilities include providing financial reporting services. This organization acts, as coordinator for many of the housing needs for homeless and low-and moderate-income individuals in Montgomery

County. In 1999 and 2000, MCHC assumed responsibility as lead entity for the County's Continuum of Care, coordinating the collection of data, the identification of unmet needs, and the process for soliciting and ranking projects to be submitted under the HUD Homeless Assistance Program.

The bank participates in the Montgomery County Industrial Development Corporation Mezzanine Fund. A VP of the bank serves on the fund's loan committee and reviews loan requests. This fund was created through the Montgomery County Industrial Development Corporation and funded by a consortium of five area banks, including NPB. This fund provides mezzanine financing; a type of lending that provides a niche between commercial bank loans and venture capital funds. Small and mid-sized businesses are target customers for this type of financing by this fund.

A VP of the bank made various presentations to the Service Core of Retired Executives (SCORE) Small Business Training organization. This is a nonprofit organization affiliated with the SBA dedicated to entrepreneur education and the formation, growth and success of small businesses nationwide.

NPB provides sponsorship of FHLB Affordable Housing Program by developing and applying for grants under the Dignity Housing program. Dignity Housing is a nationally recognized organization that provides affordable housing, life skill support services, job readiness, leadership and educational development to homeless families and individuals. A VP of the bank assisted with the organization's application for grant funding from the FHLB. The application was approved and funds await disbursement. Funds will be used to rehabilitate eight vacant structures resulting in homes for thirteen homeless households; four of the properties are located in low- or moderate-income geographies. Ongoing bank activities include providing 15 years of loan servicing activities for each property as the loan will be forgiven 1/15th per year until the grant loan balance reaches zero. The application process is considered a complex service due to the knowledge needed to complete the grant application, the coordination of voluminous amounts of information from various sources and the time involved throughout the process.

A VP of the bank and several other employees made presentations to small business owners including the Korean Grocers Association, the Korean Central Broadcasting, and the Korean Beverage Association. The bank's National Asian division developed this niche market. Topic discussions included, "Applying for a Small Business Loan/SBA Loan Program and other Commercial Loan Programs", "Applying for a Home Mortgage Loan", and "The Importance of Personal Credit". NPB currently has one branch and one ATM located in this Philadelphia ethnic community in a moderate geography. This geography is adjacent to, and in close

proximity of, thirteen other low and moderate-income geographies.

The following are examples, in the Reading AA, of CD Service activities during the evaluation period.

A SVP of the bank serves on the Executive Committee and as the Treasurer on the Greater Berks Development Fund. This organization promotes economic development by financing small businesses and permanent job creation for low-and moderate-income individuals in Berks County, and is supported by both public and private entities. The Executive Committee of this fund is responsible for reviewing and approving all loan requests. The fund supports economic development by promoting job creation primarily for low- and-moderate income persons.

The bank's CRA Officer and AVP is a member of the Board and is also the Chairperson of the Loan Administration Committee for the Neighborhood Housing Services (NHS) of Reading. In addition, an Office Manager of one of NPB's branches is a representative on the HomeBuyer Education Committee NHS of Reading works primarily with low- and moderate-income persons to achieve home-ownership. NHS works primarily in the low- and moderate-income areas of the city targeted for revitalization by the NHS. The Loan Administration Committee is responsible for the development and monitoring of NHS' mortgage loan program.

The bank's CRA Officer completed and submitted an application to the FHLB for Affordable Housing Program (AHP) grant funds through the sponsorship of FHLB AHP Application program under the Reading NHS. The bank's CRA Officer was the point person in developing a program that incorporated the traditional aspect of financing the purchase of a home, and a savings account component to provide funds for future home repairs.

The CRA Officer developed a mortgage loan program that consisted of a modification to current programs so the resulting program incorporated a savings component. This was accomplished by partnering the Bank/NHS loan program with Berks County Action Program's savings program. The CRA Officer completed a lengthy application plus exhibits. Although the grant funds were not approved this time, this service is considered innovative and complex as the CRA Officer developed a new program and went to great lengths to complete and submit a lengthy application to the FHLB. Letters of support were submitted by each of the non-profit participants and the City of Reading. This program would target the predominantly low- and moderate-income areas of Reading.

In 1999, the bank's CRA Officer completed and submitted the initial application to the FHLB on behalf of the Reading NHS for their participation in the FHLB HBEF to be utilized in conjunction with the NHS Home Ownership Loan Program. The HBEF

provides grant assistance toward down payment and closing costs to low- and moderate-income families. The application was approved and six families were assisted with a total of \$21,000. The process was innovative, as NPB was the first bank to submit the application for this program. It is also considered complex due to the knowledge and time needed to complete the application process. Ongoing bank activities under this program include completing and forwarding applications for potential grant recipients to the FHLB for approval. If approved, the bank completes the documentation package and sets up the grant under a forgivable loan program. NPB services the grant loan for the five-year grant period, while forgiving 1/5th of the grant annually until the grant loan balance is reduced to zero. The process was completed for 2000 funding as well.

The Compliance Officer is a representative of the planning committee for the Reading Home Ownership Plan. The program targets increased home ownership occupancy within the City of Reading to effect a stabilization of neighborhoods and promote affordable housing. Through Plan participants, the Plan offers home ownership counseling services and low cost home mortgage financing with down payment and closing cost assistance to qualified homebuyers purchasing a property in the City of Reading. Plan participants are financial institutions, nonprofit organizations, and governmental (City and County) agencies. The planning committee helps develop the programs and prepares reports on lending activity. Ongoing activities by the bank are similar to the description under the HBEF described above.

A member of senior management is on the Fundraising Committee and an SVP of the bank is on the Finance Committee of the Reading Emergency Shelter and a Board member is the Vice-Chairperson for the current Capital Campaign covering 1999 and 2000. This shelter provides the basic needs of sheltering and feeding the homeless while nurturing the skills necessary to empower these individuals to achieve self-sufficiency. Persons receiving these benefits are primarily low- and moderate-income individuals, with many recipients being at the poverty level. This shelter is located in a moderate-income census geography in the City of Reading.

The bank participates in two major programs under the Berks Community Action Program (BCAP). This organization is a private non-profit corporation whose mission is to develop programs that assist low-income Berks County residents in becoming self-sufficient. BCAP has numerous programs in place at this time and assisted over 3,000 persons in 1999. Under these programs the bank participates in the *BCAP/State's Family Savings Program (FSP)* and the *BCAP/Budget Counseling Center (BCC)*. The bank was an initial partner with BCAP in the FSP. This service is considered innovative since it is the first time that this type of service was made available in the bank's AA. This program is designed to assist low-income individuals in achieving savings goals necessary for home ownership,

home repair, education, purchasing a car, starting a business or retirement. The State matches \$0.50 to the dollar up to \$600 per year through a structured savings account utilizing specific guidelines. This is considered complex as the Bank was an initial participant in this project and provides an essential service by providing administrative and bookkeeping services at no cost to the state or the consumer. NPB sets up all savings accounts at the bank and waives associated fees and minimum balance requirements. NPB also waived the set up fee of \$300 for BCAP's record keeping activities and the ongoing monthly fees associated with this service. Seventeen accounts had been set up as of October 2000. Additionally, NPB has pledged to match \$0.25 to the dollar up to a maximum of \$300 and contribute this as a reduction in bank fees associated with mortgage financing obtained at NPB.

Under the BCC program training was provided to the staff of the BCC by the CRA Officer on FHA Loan underwriting processes so that BCAP staff would understand FHA qualification guidelines and be qualified to assist applicants in the FHA loan application process. Loan applications will be generated primarily for a program that is designed to take blighted and abandoned homes in the City of Reading, primarily low-and moderate-income geographies, restoring the homes and selling them to first time home buyers. The long-term benefits are to revitalize and stabilize the City of Reading through providing affordable housing opportunities to individuals and families. This project is a joint effort between a number of community organizations, most of them serving low to moderate-income individuals.

The CRA Officer, an Office Manager and a Mortgage Loan Originator jointly and individually presented three separate educational seminars on "Applying for a Mortgage" to area individuals. Of these, a presentation at Lauer's Park Elementary School in March 1999 was targeted to potential homeowners of the City of Reading's low- and moderate-income areas that have been designated by the Reading NHS as a target area for development.

A VP and lender of the bank provided training sessions on financing options for small businesses including SBA financing and bank financing through a small business event, "Passport 21st Century." The bank was the major corporate sponsor for the event in 2000 and the VP noted above is the Chairperson for the Passport Committee for 2001.

The Bank participated in six-day training session titled "Breaking into the Trade Game" for the Small Business Administration. The participants were primarily small business owners. Additionally, NPB provided the meeting space and coordinated the training.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance under the Service test in the Lehigh AA is weaker than the bank's overall "outstanding" performance under the Service Test. NPB has no branch offices in low- and moderate-income geographies in the Lehigh AA. However, the bank provides a good level of CD services in the AA. Bank participation involves direct participation by bank officers on loan committees, technical assistance programs, counseling services, and educational forums. Small business and housing programs are similar to those described in the bank's full-scope AAs.

The Lancaster AA consists of middle income geographies only and an analysis of geographic comparisons is not meaningful. NPB does not provide any targeted CD services with the AA. Delivery systems are reasonably accessible to all customers in this portion of the bank's assessment area.

The performance in the two limited scope assessment areas does not impact the bank's overall performance under the Service Test.

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 nonmetropolitan 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).

Time Period Reviewed	Lending Test (excludes CD Loans): 7/01/98 to 6/30/00 Investment and Service Tests and CD Loans: 10/06/98 to 10/02/00	
Financial Institution	Products Reviewed	
National Penn Bank (NPB) Boyertown, Pennsylvania	Home mortgage loans, small loans to businesses, consumer loans, and CD loans, investments, and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Penn 1 st Financial Services, Inc. (PFFS) 1874 National Penn Investments (NPI)	Bank Subsidiary Bank Subsidiary Holding Company Subsidiary	Mortgage loans originated within the NPB assessment areas Commercial loans Investments
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Philadelphia AA #6160 Reading AA #6680	Full-Scope Full-Scope	CMSA 6160 includes all of Montgomery County and portions of Bucks, Chester, Delaware, and Philadelphia counties
Lehigh AA #0240 Lancaster AA #4000	Limited-Scope Limited-Scope	MSA 0240 includes portions of North Hampton County

Appendix B: Market Profiles for Full-Scope Areas

Table of Contents

Market Profiles for Areas Receiving Full-Scope Reviews

Philadelphia AA	B-2
Reading AA	B-4

Philadelphia AA

Demographic Information for Full-Scope Area: Philadelphia AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	540	7%	12%	37%	43%	1%
Population by Geography	2,047,743	8%	15%	34%	42%	1%
Owner-Occupied Housing by Geography	525,051	5%	14%	34%	47%	0%
Businesses by Geography	93,736	4%	8%	35%	52%	1%
Farms by Geography	2,194	50%	2%	42%	55%	50%
Family Distribution by Income Level	524,688	18%	16%	22%	44%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	177,444	16%	26%	35%	23%	0%
Median Family Income HUD Adjusted Median Family Income for 2000 Households Below the Poverty Level	= \$41,908 = \$57,800 = 9.78%	Median Housing Value Unemployment Rate				= \$127,567 = %2.75

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census and 2000 HUD updated MFI.

The Philadelphia AA includes a portion of the Philadelphia MSA - 6160. The AA consists of all of Montgomery County and portions of Bucks County, Chester County, Delaware County, and Philadelphia County. The AA is delineated based on the bank's lending activities within those counties and does not arbitrarily exclude low- or moderate-income areas. This AA is the most urban of NPB markets and includes a wide network of branch and ATM facilities. The AA also contains the majority of the bank's low- and moderate-income geographies. While low- and moderate-income geographies can be found in various geographic portions of the bank's AA, they are primarily situated in downtown Philadelphia. While NPB has been active in the area's Asian market through its National Asian Bank (NAB) branch, it has only recently become competitive through branch expansion and marketing in the City of Philadelphia. The bank operates 51% of its branches in the Philadelphia AA.

NPB operates in a highly competitive home mortgage and small business market. Mortgage and small business loans are offered by a wide range of banks, mortgage companies, non-bank financial institutions, and credit card companies offering a variety of products and modes of access. Many of these competitors are large national and regional chains. A number of credit card banks operate in the AA providing a high volume of very small dollar loans. These bank's typically dominate market share by volume.

Small Business

NPB ranks 8th among 180 small business lenders in the AA with a 3% market share. A single credit card bank with 35% of market share dominates the market. Two additional competitors control 21% of the market and four others control an additional 15% of the market.

Home Mortgage

NPB ranks 65th among 455 home purchase lenders in the AA with a .35% market share. Market share competition is fierce with eleven lenders sharing 2% to 5% of the market. NPB ranks 14th among 179 home improvement lenders with a 1.14% market share. The market is dominated by three lenders controlling 71% of the market. NPB ranks 38th among 488 home refinance lenders with a .67% market share. Competition is also fierce in this market with seven lenders sharing 2% to 5% of the market.

According to June 30, 1999 FDIC data, 51% of the bank's deposit are held in the Philadelphia AA. By individual counties, the bank ranks 15th among deposit taking institutions with a 1.76% market share in Bucks County; 13th in Montgomery County with a 1.99% market share; 6th in Chester County with a 5.93% market share; and 24th in Philadelphia County with .38% market share. NPB has a single branch in Delaware County and a deposit share of less than .03%, precluding a FDIC ranking.

Employment and business opportunities in the AA are good. The area supports a wide variety of service-based businesses, light manufacturing, and technology centers. Unemployment is low and mirrors the positive national economic environment in recent years. Community development opportunities are also good. The area's small business environment is particularly open to micro loan organizations and economic development organizations. Home mortgage lending is also a growing need in the AA. A number of suburban communities support organizations that promote home mortgage lending in low- and moderate-income areas. The urban Philadelphia area also provides opportunities for low- and moderate-income home mortgage lending.

Community contacts reviewed and contacted during this assessment period indicated an overall satisfaction that community credit and service needs are being addressed by area financial and non-financial institutions. Community credit needs identified during this Evaluation included:

- Small business lending with specific emphasis on very small dollar lending to promote incubator and start up businesses;
- Home purchase lending with specific emphasis on the purchase and rehabilitation of low-and moderate-income areas and to low-and moderate-income families in the bank's urban centers; and

- Continued emphasis on the promotion of basic banking services, home purchase, and small business within the Hispanic community.

Reading AA

Demographic Information for Full-Scope Area: Reading AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	76	5%	20%	63%	11%	1%
Population by Geography	336,423	4%	12%	69%	15%	0%
Owner-Occupied Housing by Geography	94,336	2%	9%	72%	17%	0%
Businesses by Geography	12,760	3%	10%	68%	19%	0%
Farms by Geography	953	0%	1%	95%	4%	0%
Family Distribution by Income Level	92,046	16%	19%	28%	37%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	32,673	7%	18%	65%	10%	0%
Median Family Income = \$37,755			Median Housing Value = \$78,993			
HUD Adjusted Median Family Income for 2000 = \$50,200			Unemployment Rate = %2.35			
Households Below the Poverty Level = 8.08%						

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census and 2000 HUD updated MFI.

The Reading AA is the entire 6680 MSA and includes all of Berks County, Pennsylvania. Berks County is situated northwest of greater Philadelphia and includes the cities of Reading and the bank's headquarters in Boyertown. This AA has the greatest concentration of branch offices (16) and is the bank's primary market area. The Berks County area is primarily suburban and with the exception of Reading, Pennsylvania, is a bedroom community of Philadelphia. This area is dominated by middle income geographies and population centers. The largest concentration of low- and moderate-income geographies and population is in the Reading area, which is a stand, alone metropolitan area in the northwest corner of Berks County. NPB is a primary competitor in Berks County due to the combination of its longevity and base operations center in Boyertown. Nevertheless, competition continues to be high with a large number of mortgage and small business loans, that are offered by a wide range of banks, mortgage companies, non-bank financial institutions, and credit card companies. Many of these competitors are large national and regional chains. A number of credit card banks operate in the AA providing a high volume of very small dollar loans. These bank's typically dominate market share by volume.

Small Business

NPB ranks 6th among 57 small business lenders in the AA with a 7.8% market share. Two lenders with 31% market share dominate the market. One of these lenders is a credit card bank. Three additional competitors control 27% of the market with one of these also a credit card bank.

Home Mortgage

NPB ranks 10th among 224 home purchase lenders with a 3% market share. Two lenders controlling 18% of the market dominate market share. The remaining seven lenders sharing 31% of the market with a 3% to 6% market share indicating a high level of competition for home purchase loans. NPB ranks 4th among 77 home improvement lenders with an 8.86% market share. The top market lender controls 14% of the market with lenders two and three sharing 23% of the market. NPB ranks 7th among 267 home refinance lenders with a 3.83% market share. A single lender controls 9% of the market with five others sharing 23% of the market with a 3% to 5% market share range.

According to June 30, 1999 FDIC data, 40% of the bank's deposits are held in the Reading AA. NPB ranks 3rd among deposit taking institutions with a 13.48% market share. Eighteen of the bank's 61 branches (30%) are located in Berks County.

Employment and business opportunities in the AA are good. The area supports a wide variety of service-based businesses, light manufacturing, and technology centers. Unemployment is low and mirrors the positive national economic environment in recent years. Community development opportunities are also good. The area's small business environment is particularly open to micro loan organizations and economic development organizations. Home mortgage lending is also a growing need in the AA. A number of suburban communities support organizations that promote home mortgage lending in low and moderate-income areas.

Community contacts reviewed and contacted during this assessment period indicated an overall satisfaction that community credit and service needs are being addressed by area financial and non-financial institutions. Community credit needs identified during this Evaluation included:

- Small business lending with specific emphasis on very small dollar lending to promote incubator and start up businesses;
- Home purchase lending with specific emphasis on the purchase and rehabilitation of low-and moderate-income areas and to low-and moderate-income families in the bank's urban centers; and
- Continued emphasis on the promotion of economic development and mortgage lending through educational campaigns and marketing strategies.

Appendix C: Tables of Performance Data

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: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; 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 MSA/assessment area.

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 MSA/assessment area.
- 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 rank and 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 Refinance Loans** - See Table 2.
- Table 5. 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 rank and market share information based on the most recent aggregate market data available.
- Table 6. 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 rank and market share information based on the most recent aggregate market data available.

Table 7. 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 MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of Home Improvement Loans - See Table 7.

Table 9. Borrower Distribution of Refinance Loans - See Table 7.

Table 10. 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 11. 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 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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.

Table 13. 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

Table 14. 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 the population 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 MSA/AA.

Table 1. Lending Volume

LENDING VOLUME												Evaluation Period: 07/01/1998 TO 06/30/2000	
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Rating Area Loans in AA (% of #)	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)		
Full Scope													
Philadelphia AA	50.69	1,110	91,293	1,177	164,231	4	540	6	884	2,297	257,094	55.89	
Reading AA	40.42	933	66,131	421	55,582	2	153	1	146	1,357	122,012	33.02	
Limited Scope													
Lehigh AA	7.21	243	17,612	134	19,595	0	0	2	1,929	379	39,136	9.22	
Lancaster AA	1.65	32	2,671	45	3,615	0	0	0	0	77	6,286	1.87	

* Deposit Data as of June 30, 1999

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE										Evaluation Period: 07/01/1998 TO 06/30/2000							
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans		
	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope																	
Philadelphia AA	5	1	14	8	34	53	47	39	65	0.3	0.0	0.3	0.5	0.3	262	41	
Reading AA	2	1	9	6	72	70	17	23	10	3.0	2.0	2.1	2.9	3.9	306	48	
Limited Scope																	
Lehigh AA	1	3	9	2	65	60	25	34	37	0.6	2.5	0.3	0.6	0.7	58	9	
Lancaster AA	0	0	0	0	100	100	0	0	18	1.1	0.0	0.0	1.1	0.0	14	2	

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** Home purchase loans within an MSA/AA as a % of all home purchase loans in the rating area.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT																
Evaluation Period: 07/01/1998 TO 06/30/2000																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Improvement Loans	
	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope																
Philadelphia AA	5	0	14	4	34	51	47	45	14	1.1	0.0	0.1	1.8	1.0	360	54
Reading AA	2	.4	9	3	72	83	17	13	4	8.9	11.1	4.2	9.7	7.1	246	37
Limited Scope																
Lehigh AA	1	2	9	2	65	60	25	37	10	2.2	0.0	1.3	1.8	3.4	60	9
Lancaster AA	0	0	0	0	100	100	0	0	25	0.4	0.0	0.0	0.4	0.0	4	1

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** Home improvement loans within an MSA/AA as a % of all home improvement loans in the rating area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 07/01/1998 TO 06/30/2000							
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Mortgage Refinance Loans		
	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans	% Owner Occ Units	% NPB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope																	
Philadelphia AA	5	1	14	3	34	51	47	46	38	0.7	0.2	0.3	1.1	0.5	479	48	
Reading AA	2	.4	9	4	72	79	17	16	7	3.8	1.4	2.1	4.0	3.6	380	38	
Limited Scope																	
Lehigh AA	1	0	9	4	65	68	25	28	23	1.0	0.0	0.3	0.9	1.3	124	12	
Lancaster AA	0	0	0	0	100	100	0	0	83	0.2	0.0	0.0	0.2	0.0	14	1	

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** Refinance loans within an MSA/AA as a % of all refinance loans in the rating area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL BUSINESS																
Evaluation Period: 07/01/1998 TO 06/30/2000																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% NPB Loans	% of Businesses	% NPB Loans	% of Businesses	% NPB Loans	% of Businesses	% NPB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope																
Philadelphia AA	4	1	8	6	35	36	52	57	8	1.9	1.3	1.5	1.9	2.0	1,177	66
Reading AA	3	3	10	9	68	72	19	16	6	8.4	7.1	14.8	8.3	7.0	421	24
Limited Scope																
Lehigh AA	2	4	11	7	61	58	26	31	8	2.6	11.1	3.2	2.1	3.1	134	8
Lancaster AA	0	0	0	0	100	100	0	0	31	0.0	0.0	0.0	0.1	0.0	45	3

* Based on 1998 Aggregate Small Business Data Only. Market rank is for all income categories combined.
 ** Small Business loans within an MSA/AA as a % of all Small Business loans in the rating area.

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL FARM																Evaluation Period: 07/01/1998 TO 06/30/2000	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Loans Small Farm Loans		
	% of Farms	% NPB Loans	% of Farms	% NPB Loans	% of Farms	% NPB Loans	% of Farms	% NPB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope																	
Philadelphia AA	0	0	2	0	42	25	55	75	171	0.0	0.0	0.0	0.0	0.0	4	67	
Reading AA	0	0	1	0	95	100	4	0	12	0.9	0.0	0.0	0.9	0.0	2	33	
Limited Scope																	
Lehigh AA	0	0	3	0	69	0	27	0	58	0.0	0.0	0.0	0.0	0.0	0	0	
Lancaster AA	0	0	0	0	100	0	0	0	38	0.0	0.0	0.0	0.0	0.0	0	0	

* Based on 1998 Aggregate Small Business Data Only. Market rank is for all income categories combined.
 ** Small Farm loans within an MSA/AA as a % of all Small Farm loans in the rating area.

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HMDA HOME PURCHASE										Evaluation Period: 07/01/1998 TO 06/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Purchase Loans	
	% of Families	% NPB Loans**	% of Families	% NPB Loans**	% of Families	% NPB Loans**	% of Families	% NPB Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
Philadelphia AA	18	11	16	29	22	22	44	34	65	0.3	0.7	0.6	0.5	0.3	262	41
Reading AA	16	10	19	24	27	25	37	37	10	3.0	2.1	3.4	3.8	3.5	306	48
Limited Scope																
Lehigh AA	16	14	18	26	26	31	39	28	37	0.6	1.9	0.5	1.0	0.5	58	9
Lancaster AA	15	0	22	29	30	43	33	21	18	1.1	2.2	0.6	1.3	1.4	14	2

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT										Evaluation Period: 07/01/1998 TO 06/30/2000						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*					Total Home Improvement Loans	
	% of Families	% NPB Loans**	% of Families	% NPB Loans**	% of Families	% NPB Loans**	% of Families	% NPB Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
Philadelphia AA	18	9	16	17	22	26	44	46	14	1.1	0.9	1.1	1.6	1.2	360	54
Reading AA	16	10	19	20	27	30	37	38	4	8.9	10.6	8.0	8.0	9.5	246	37
Limited Scope																
Lehigh AA	16	7	18	15	26	27	39	50	10	2.2	1.9	2.0	2.5	3.6	60	9
Lancaster AA	15	25	22	50	30	25	33	0	25	0.4	0.0	0.0	0.0	0.9	4	1

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 07/01/1998 TO 06/30/2000						
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*					Total Loans	
	% of Families	% NPB Loans**	% of Families	% NPB Loans**	% of Families	% NPB Loans**	% of Families	% NPB Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
Philadelphia AA	18	6	16	16	22	27	44	48	38	0.7	0.4	1.0	0.9	0.8	479	48
Reading AA	16	8	19	16	27	25	37	47	7	3.8	3.8	2.4	4.1	5.3	380	38
Limited Scope																
Lehigh AA	16	6	18	20	26	24	39	47	23	1.0	1.0	1.3	1.1	1.2	124	12
Lancaster AA	15	7	22	7	30	29	33	50	83	0.2	0.0	0.0	0.3	0.2	14	1

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL BUSINESS			Evaluation Period: 07/01/1998 TO 06/30/2000							
MSA/Assessment Area	Businesses With Revenues of \$1 million or less			% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*		Total Small Business Loans	
	% Business**	% NPB Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope										
Philadelphia AA	85	55	47	62	22	16	2	3	1,177	66
Reading AA	85	50	55	64	22	14	8	8	421	24
Limited Scope										
Lehigh AA	87	57	50	56	28	16	3	3	134	8
Lancaster AA	86	38	65	89	2	9	.04	.03	45	2

* The market consists of all other Small Business reporters in NPB's assessment area and is based on 1998 Aggregate Small Business Data Only

** Businesses with revenues of \$1 million or less as a percentage of all businesses.

*** Loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No revenue information was available for 1.18% of small loans to businesses reported by the NPB.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL FARM			Evaluation Period: 07/01/1998 TO 06/30/2000							
MSA/Assessment Area	Businesses With Revenues of \$ 1million or less			% Distribution Loans by Original Amount Regardless of Farm Size			Market Share *		Total Small Farm Loans	
	% Farms**	% NPB Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope										
Philadelphia AA	96	1	76	75	0	100	0.0	0.0	4	67
Reading AA	97	1	85	25	100	0	0.9	1.0	2	33
Limited Scope										
Lehigh AA	97	0	83	0	0	0	0.0	0.0	0	0
Lancaster AA	98	0	95	0	0	0	0.0	0.0	0	0

* The market consists of all other Small Farm reporters in NPB's assessment area and is based on 1998 Aggregate Small Business Data Only

** As a Percentage of Farms with known revenues.

*** As a percentage of loans with borrower income information available.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS									
Evaluation Period: 10/06/1998 TO 10/02/2000									
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Scope									
Philadelphia AA	4	2,592	23	1,066	27	3,658	62%	1	2,550
Reading AA	5	1,384	12	243	17	1,627	27%	1	2,000
Limited Scope									
Lehigh AA	1	612	10	14	11	626	11%	01	350
Lancaster AA	0	0	1	4	1	4	.08%	01	100

* One qualified investment for \$1,134,300 was allocated equally between the Philadelphia AA and the Reading AA

** A single \$5 million qualified unfunded commitment was allocated equally between the Philadelphia AA and the Reading AA

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

** "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".

Table13. Distribution of Branch System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																	Evaluation Period: 10/06/1998 TO 10/02/2000			
MSA/Assessment Area	Deposits	Branches						Branch Openings/Closings						Population						
	% of Total NPB Deposits	# of NPB Branches	% of Total NPB Branches	Location of Branches by Income of Geographies (%)				# of Branch Closings	# of Branch Openings	Net gain(+) / loss(-) of branches due to openings/closings				% of the Population with Each Geography*						
				Low (%)	Mod (%)	Mid (%)	Upp (%)			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp			
Full Scope																				
Philadelphia AA	50.69	33	54	0	12	40	48	7	14	0	+ 1	+ 1	+ 5	8	15	34	43			
Reading AA	40.42	14	30	0	7	64	29	3	2	0	0	0	+ 1	3	13	69	15			
Limited Scope																				
Lehigh AA	7.21	7	14	0	0	14	86	2	0	0	0	0	- 2	3	12	62	23			
Lancaster AA	1.65	1	2	0	0	100	0.00	0	1	0	0	+ 1	0	0	0	100	0			

* The percentage of the population in the MSA/AA that resides in these geographies.

Table 14. Geographic and Borrower Distribution of Consumer Loans

Geographic and Borrower Distribution: CONSUMER LOANS																		Evaluation Period: 07/01/1998 TO 06/30/2000	
MSA/Assessment Area	Geographic Distribution								Borrower Distribution								Total Consumer Loans		
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		#	% of Total	
	% of Pop*	% of NPB Loans	% of Pop*	% of NPB Loans	% of Pop*	% of NPB Loans	% of Pop*	% of NPB Loans	% of Hshlds	% of NPB Loans	% of Hshlds	% of NPB Loans	% of Hshlds	% of NPB Loans	% of Hshlds	% of NPB Loans			
Full Scope																			
Philadelphia AA	8	1	15	6	34	54	43	39	18	24	16	20	22	18	44	32	2,142	49	
Reading AA	3	2	12	4	69	79	15	15	16	32	19	18	27	20	37	27	1,595	36	
Limited Scope																			
Lehigh AA	3	1	12	4	62	59	23	36	3	24	12	18	64	16	21	25	595	14	
Lancaster AA	0	0	0	0	100	100	0	0	0	31	0	16	100	18	0	28	68	2	

* The Percentage of the population in the MSA/Assessment area that resides in the geographies.