



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**September 5, 2005**

### **Community Reinvestment Act Performance Evaluation**

**The First National Bank and Trust Company of Newtown  
Charter Number: 324**

**40 South State Street  
Newtown, Pennsylvania 18940-0158**

**Office of the Comptroller of the Currency**

**Eastern Pennsylvania Field Office  
3325 Street Road Suite 120  
Bensalem, PA 19020**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution

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## Overall CRA Rating

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

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

Performance Levels	THE FIRST NATIONAL BANK AND TRUST COMPANY OF NEWTOWN Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	<b>X</b>
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- A substantial majority of FNB's loans were originated within its AA, while lending levels reflect good responsiveness to credit needs given the high level of competition from larger financial institutions in the AA.
- The geographic distribution of loans reflects adequate penetration throughout the AA.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is good. The distribution of loans reflects good penetration among home mortgage borrowers of different income levels, and business customers of different sizes based on the AA's demographics.
- Qualified Investments demonstrate good responsiveness to the community revitalization and affordable housing needs of the AA.
- Banking services are accessible to all portions of the AA, including low- and moderate-income geographies.
- Bank employees provide a high level of community development services in the AA.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified

by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by non-farm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

The First National Bank and Trust Company of Newtown (FNB), chartered in 1864, is headquartered in Newtown, Pennsylvania. The bank is a full service, intrastate bank offering a wide array of loan and deposit products. As of June 30, 2005 total net assets were \$642 million. FNB is one of two subsidiaries of FNB Bancorp, Inc. also located in Newtown, Pennsylvania. The other subsidiary is FNB Realty, Inc., which owns a portion of the bank's branches, plus two properties purchased for the expansion of bank parking facilities. FNB has designated one assessment area (AA), which is comprised of 109 contiguous census tracts (CTs) located in Central and Lower Bucks County. The AA is part of the Philadelphia MD MSA #37964.

FNB's last Public Evaluation (PE) was dated March 25, 2002, and the overall CRA rating assigned was "Satisfactory." Since the last PE, FNB has not closed any branches, and has replaced a former small branch with a larger facility at 773 Newtown-Yardley Road, Yardley, Pennsylvania. The new facility has an ATM, whereas the prior facility did not. This branch is located in an upper-income CT. Competition in FNB's market area is strong. Major competitors include Wachovia, Citizens, PNC, Commerce Bank, NA, and 1<sup>st</sup> Savings of Perkasie, a locally based financial institution.

FNB operates twelve full service branches, all of which are located within the Central and Lower Bucks AA. In addition, the bank operates four limited service branches situated in four retirement villages. The limited service branches are only open certain

hours during the week, and the customer base is restricted to the residents of the villages. ATMs are located in the twelve full service branches, and cash dispensing machines are located in three of the limited service branches. In addition the bank maintains two stand-alone cash dispensing machines. One is located in a nursing home, and the other is located in a restaurant/dairy store. Other alternative delivery systems include bank by mail, bank by phone, and Internet banking.

FNB is a community bank with a primary focus on serving the needs of Central and Lower Bucks County. Primary lending products include commercial loans, commercial revolving lines of credit, commercial mortgages, consumer loan programs, residential mortgages, and letters of credit. These retail and commercial banking activities are provided primarily to consumers and small to mid-sized companies within FNB's AA. As of June 30, 2005, FNB's net loans and leases were \$310 million, representing 49% of total assets and 56% of total deposits. The loan portfolio consists of 45% commercial real estate and commercial loans, 39% residential real estate loans, 6% consumer installment loans, and 8% construction and land development loans. Tier One capital as of June 30, 2005 was \$74 million.

There are no legal or financial impediments that preclude the bank from meeting the credit needs of its AA.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated:**

The evaluation period for the Lending Test, with the exception of community development (CD) loans, consists of three distinct time periods: January 1, 2002 to December 31, 2002 (2002 evaluation period); January 1, 2003 to December 31, 2003 (2003 evaluation period); and January 1, 2004 to December 31, 2004 (2004 evaluation period). The 2002 evaluation period incorporates the use of 1990 Census demographic information, while the 2003 evaluation periods incorporates the use of 2000 Census demographic information. The 2004 evaluation period uses 2000 Census demographic information updated in 2004 to reflect new Office of Management and Budget (OMB) MSA / MD definitions and boundaries. The evaluation period for CD loans, the Investment Test and Service Test is January 1, 2002 to September 5, 2005.

For the Lending Test, home mortgage loans (home purchase, mortgage refinance and home improvement), small loans to businesses and CD are evaluated. Small loans to farms are not evaluated since FNB originated only one loan during the evaluation period. Agricultural lending is not a primary product line for the bank. Bank management chose not to have consumer loans reviewed as part of this examination.

New CRA procedures instituted September 1, 2005, by the Federal Financial Institutions Examinations Council (FFIEC), would have allowed FNB to be evaluated under the Intermediate Small Institution Examination guidelines. Nevertheless, bank management chose to have the examination conducted under the Large Bank-CRA



procedures.

### **Data Integrity:**

FNB's publicly filed information for Home Mortgage Disclosure Act (HMDA) reportable loans and small loans to businesses were tested for accuracy. Results of this testing evidenced the data is sufficiently accurate for purposes of this CRA evaluation.

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

We performed a full scope review of the Central and Lower Buck's County AA. The OMB's revised *Standards for Defining Metropolitan and Micropolitan Areas*, introduced in February 2004, did not result in any new MSAs, and no new metropolitan divisions (MDs) were created in the AA. This AA accounts for the vast majority of the bank's home mortgage loans and deposits. This examination does not include any limited scope reviews. Please refer to Appendix B for market profiles of the AA based on the 1990 Census, 2000 Census, and updated 2000 Census.

### **Ratings:**

The bank's overall rating is based primarily on the full scope review of the Central and Lower Bucks County AA. The borrower distribution of home mortgage and loans to small businesses were considered in determining conclusions for the lending test. They represent primary loan products for the bank. We gave the most weight in our analysis to home mortgage improvement loans, since they accounted for 46.5% of all originated home mortgage loans.

In addition we also took into consideration the impact of Community Development (CD) loans by determining the extent to which CD loans addressed difficult-to-meet community credit needs. Finally, we evaluated the bank's performance in providing innovative and flexible lending products to address the credit needs of low- or moderate-income individuals or geographies.

### **Other:**

In order to determine community credit needs and opportunities, during our examination we held discussions with management, and performed one community contact. Community credit needs and opportunities are discussed in the Market profile in Appendix B.

During the review we contacted a community group. The contact was with a community based non-profit organization that provides housing and shelter for low-income and indigent individuals. The contact provided positive comments regarding FNB's active participation in the organization's low-income housing programs. The spokesperson

from this organization indicated that FNB provided mortgage financing for the acquisition and rehabbing of properties to be used for low cost housing, made direction donations and grants to the organization, and a bank employee actively participates as a member of the acquisition committee. The contact indicated there remains a strong need for loan products to fund the acquisition of low- and moderate-income housing and loans to small businesses.

## **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal activities.

## **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 upon the full-scope review, FNB's performance in the Lower & Central Bucks County AA is good.*

### Lending Activity

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

Despite high levels of competition from national mortgage lenders and large out-of-state, money-center banks, FNB's lending activity is excellent, and reflects its responsiveness to the credit needs in the AA. FNB's loan-to-deposit ratio over the past thirteen quarters (06-30-02 to 06-30-05) averaged 53%. This ratio demonstrates that FNB is an active lender, in light of the high level of competition.

### Central and Lower Bucks County AA - 2002

During the 2002 evaluation period, FNB extended 336 home mortgage loans, and 133 small loans to businesses. The approximate total of both categories of loans made in the Central and Lower Bucks County AA is \$37 million. Seventy-two percent were home mortgage loans, and 16% were small loans to businesses. Among home mortgage loans, 48% were for refinance, 44% were for home improvements, and 8% were for home purchase.

Despite strong competition, FNB's market share percentile ranking for home purchase loans, home improvement loans, and home refinance loans exceeds its percentile ranking for deposit market share.

### Home Mortgage Loans

Competition for home mortgage loans in the AA is extremely strong. The top ten lenders, all national mortgage lenders and large out-of-state money-center banks, command a 39% market share. The FDIC Deposit Market Share Report as of June 30, 2002 shows the bank ranks sixth among 37 banking institutions in the AA. Based upon the AA's 2002 aggregate HMDA data, the bank ranks 36<sup>th</sup> among 490 home mortgage lenders with a market share of 0.67% for home mortgage loans. These results place the bank in the 86<sup>th</sup> percentile for deposits and the 93<sup>rd</sup> percentile for home mortgage loans. The bank ranked 52<sup>nd</sup> out of 414 lenders for home refinance mortgages, which placed it in the 88<sup>th</sup> percentile; ninth out of 133 lenders for home improvement loans, placing it in the 94<sup>th</sup> percentile; and 58<sup>th</sup> out of 328 lenders for home purchase loans, placing it in the 83<sup>rd</sup> percentile. The lending levels reflected excellent responsiveness

by FNB to the credit needs in the Central and Lower Bucks County AA.

### Small Loans to Businesses

Based on 2002 aggregate data, FNB ranks 20th among 113 lenders for small loans to businesses with a 0.68% market share placing it the 83<sup>rd</sup> percentile. The top ten lenders in this AA are large out-of-state, money-center banks and national financial organizations, which have a combined market share of 84%. The lending levels reflected excellent responsiveness by FNB to the small business credit needs in the Central and Lower Bucks County AA.

### **Central and Lower Bucks County AA - 2003**

During the 2003 evaluation period, FNB extended 516 home mortgage loans and 177 small loans to businesses. The approximate total of both categories of loans made in the Central and Lower Bucks County AA is \$58 million. Home mortgage loans accounted for 74.4% of all loans made, while small loans to businesses accounted for 25.5%. Among home mortgage loans 53% were for refinance, 38% were for home improvements, and 9% were for home purchase.

The bank's market share percentile ranking for home purchase loans, home improvement loans, home refinance loans, and small loans to businesses exceeds its percentile ranking for deposit market share.

### Home Mortgage Loans

The FDIC Deposit Market Share Report as of June 30, 2003, shows the bank ranks seventh among 32 banking institutions in the AA with a market share of 5.41%. Based upon the AA's 2003 aggregate HMDA data, the bank ranks 31<sup>st</sup> among 562 lenders for home mortgage loans with a market share of 0.65%. These results place the bank in the 81<sup>st</sup> percentile for deposits and the 95<sup>th</sup> percentile for home mortgage loans. In 2003, the top ten home mortgage lenders in this AA were all national mortgage companies or large money-center banks and had a combined market share of 43%. The bank ranked 43<sup>rd</sup> out of 490 lenders for home refinance mortgages, which placed it in the 91<sup>st</sup> percentile; 8<sup>th</sup> out of 138 lenders for home improvements, placing it in the 95<sup>th</sup> percentile; and 52<sup>nd</sup> out of 368 lenders for home purchases placing it in the 86<sup>th</sup> percentile. The lending levels reflected excellent responsiveness by FNB to the credit needs in the Central and Lower Bucks County AA.

### Small Loans to Businesses

The bank ranks 20<sup>th</sup> among 119 lenders for small loans to businesses, with a 0.86% market share placing it the 84<sup>th</sup> percentile. The top ten lenders in this AA are large out-of-state money center banks or national financial organizations and have a combined 81.03% market share. The lending levels reflect excellent responsiveness by FNB to the small business credit needs in the Central and Lower Bucks County AA.

## **Central and Lower Bucks County AA - 2004**

During the 2004 evaluation period, FNB extended 302 home mortgage loans and 182 small loans to businesses. The approximate total of both categories of loans made in the Central and Lower Bucks County AA is \$50 million. Sixty-two percent were home mortgage loans and 38% were small loans to businesses. Among home mortgage loans 26% were for refinance, 63% were for home improvements, and 11% were for home purchase. Peer comparison data for 2004 is not available at this time.

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

FNB does not have the lending opportunity to originate and purchase home mortgage loans in low-income tracts. Based upon the 1990 Census Demographic Data, FNB had one low-income tract within its AA. This tract contained only 18 owner-occupied housing units or 0.0001% of the total owner-occupied units with the bank's AA. The 2000 Census Demographic Data eliminated this CT, so there is no longer a low-income tract. Thus, the bank's opportunity to lend to low-income geographies was severely limited in 2002, and non-existent in 2003 and 2004. Therefore, no meaningful conclusion can be derived from this portion of the lending test.

The bank's lending opportunities to originate and purchase home mortgage loans in moderate-income tracts are also extremely limited. The 1990 Census Demographic Data revealed only four moderate-income tracts. These four tracts contained only 1.35% of all the owner-occupied housing units in the bank's AA. The 2000 Census Demographic Data increased the number of moderate-income tracts to 11. However, based upon 2004 HUD Data, only 4.92% of AA's owner-occupied housing units are contained within these 11 moderate-income tracts. Considering the hundreds of financial institutions competing for business in this AA, plus the high market share owned by large national mortgage companies, and out-of-state banks, any home mortgage lending by FNB in these moderate-income geographies would be rated as adequate.

This limited opportunity trend continues with the measure of small loans to businesses. The 1990 Census Demographic Data reveals that only 0.25% of the businesses were in low-income areas, and only 2.30% of businesses were in moderate-income areas. The increase in the moderate-income tracts resulting from the 2000 Census Demographic reveals that the total businesses in moderate-income geographies has only increased to 9.22%. Considering the 80%+ market share owned by large banks, and out-of-state lenders, any small business lending by FNB in these moderate-income geographies would be rated as adequate.

## **Central and Lower Bucks County AA - 2002**

No meaningful conclusion can be determined based upon the bank's performance during the 2002 evaluation period. Lending opportunities were limited. There were 490 home mortgage lenders competing in this AA for the small percentages of owner-occupied housing units located within the low- and moderate-income geographies. These 490 lending institutions competed for 19 home mortgage loans originated in the low-income geography, and for 697 home mortgage loans made within moderate-income geographies. The limited number of available borrowers plus the strong competition from national mortgage lenders, severely impaired the bank's opportunity for originating loans in the low- and moderate-income tracts.

### Small Loans to Businesses

Likewise, no meaningful conclusion can be determined based upon the bank's performance in originating small loans to businesses during the 2002 evaluation period. Lending opportunities were limited. There were 113 lending institutions competing in this AA. The top ten institutions were large national finance companies and large out-of-state banks that dominated with an 81% market share. These 113 lending institutions competed for 267 small loans to businesses originated in the low-income geography, and for 464 small loans to businesses originated in the moderate-income geographies.

Loans made in the low-income tracts accounted for only 1.6% of all small loans made to businesses, while small loans to businesses made in the moderate-income tracts accounted for only 2.75% of all small loans to businesses. The limited number of available small businesses, plus the dominant market share owned by national finance companies and large out-of-state banks, severely impaired the bank's opportunity for originating small loans to businesses in the low- and moderate-income geographies.

### **Central and Lower Bucks County AA - 2003**

The geographic distribution of home mortgage loans and small loans to businesses is adequate within the assessment area for the 2003 evaluation period. Opportunities for moderate-income geographies continue to remain limited due to a small percentage of owner-occupied housing units and small businesses located within the bank's moderate-income tracts. Opportunities are further eroded in these moderate-income tracts by the high level of competition from large national lenders, and out-of-state lenders, which own high concentrations of market share.

Peer mortgage data for 2003 shows there were 537 lending institutions competing for 5,230 home mortgage loans made within the moderate-income tracts in FNB's AA. The top ten lenders are all national lenders and large out-of-state banks, which had a 43.07% market share of all home mortgage loans made within FNB's AA.

Peer small business data for 2003 shows there were 119 lending institutions competing for 1,641 small loans to businesses originated within FNB's moderate-income tracts. The top ten lending institutions were all national lending companies and large out-of-state banks, had an 81% market share.

Any effort made by the bank to originate home mortgage loans and small loans to businesses, in these opportunity restricted moderate-income geographies, would be considered adequate.

### 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 geographic distribution of home purchase loan in 2003 is adequate. The lending in moderate-income geographies is lower than the percentage of owner-occupied housing in moderate-income geographies. FNB's market share in moderate-income geographies almost meets the bank's overall market share.

The geographic distribution of home improvement loans is adequate. The lending volume in moderate-income geographies is significantly lower than the amount of owner-occupied housing for these respective geographies. FNB's market share in moderate-income geographies is significantly lower than the bank's overall market share.

The distribution of home refinance loans is adequate. The lending volume in moderate-income geographies is lower than the amount of owner-occupied housing for these respective geographies. FNB's market share in moderate-income geographies is near to the bank's overall market share.

### Small Loans to Businesses

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 businesses.

The geographic distribution of small loans to businesses is adequate. The percentage of loans in moderate-income geographies is significantly lower than the level of small businesses in this geography. FNB's market share in moderate-income geographies is near to the overall market share.

### Inside/Outside Ratio

A significantly high amount of home mortgage loans and small loans to businesses were originated or purchased by FNB during the evaluation period within its AA.

The following results are based upon 2003 HMDA reporting data:

- 88.89% of home purchase loans were made within the AA.
- 92.94% of home refinance loans were made within the AA.
- 94.44% of home improvement loans were made within the AA.

- 91.71% of small loans to businesses were made within the AA.

### **Central and Lower Bucks County AA - 2004**

The geographic distribution of home mortgage loans and small loans to businesses is adequate within the assessment area for the 2004 evaluation period. Opportunities for moderate-income geographies continue to remain limited due to a small percentage of owner-occupied housing units and small businesses located within the bank's moderate-income tracts. Opportunities are further eroded in these moderate-income tracts by the high level of competition from large national lenders, and out-of-state lenders, which own high concentrations of market share.

Any effort made by the bank to originate home mortgage loans and small loans to businesses, in these opportunity restricted moderate-income geographies, would be considered adequate.

#### 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.

Home purchase loan geographic distribution is adequate. The lending in moderate-income geographies is near to the percentage of owner-occupied housing in moderate-income geographies. Peer data for 2004 is not available, thus market share cannot be determined at this time.

The geographic distribution of home improvement loans is adequate. The lending volume in moderate-income geographies is lower than the amount of owner-occupied housing. Peer data for 2004 is not available, thus market share cannot be determined at this time.

The distribution of home refinance loans is adequate. The lending volume in moderate-income geographies is near to the amount of owner-occupied housing. Peer data for 2004 is not available, thus market share cannot be determined at this time.

#### Small Loans to Businesses

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 businesses.

The geographic distribution of small loans to businesses is adequate. The lending volume in moderate-income geographies is significantly lower than the percentage of businesses located in moderate-income geographies.

#### Inside/Outside Ratio



A significantly high amount of home mortgage loans and small loans to businesses were originated or purchased by FNB during the evaluation period within its AA.

The following results are based upon 2004HMDA reporting data:

- 86.84% of home purchase loans were made within the AA.
- 87.64% of home refinance loans were made within the AA.
- 95.02% of home improvement loans were made within the AA.
- 87.94% of small loans to businesses were made within the AA.

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

The overall borrower distribution of home mortgage loans and small loans to businesses is good in the AA, given the strong competition from a large number of institutions competing for business in the AA. In addition, the affordability of home ownership for a low-income individual in the AA is difficult. The median housing cost for the AA, based upon the 1990 Census Demographic Data, was \$108 thousand, while the low-income family made \$32 thousand annually. Based upon the 2000 Census, the median cost of housing increased to \$125 thousand, while the annual income of a low-income family increased only to \$34 thousand. In addition 12.1% of the families within the AA are below the poverty level and considered very low income.

### **Central and Lower Bucks County AA - 2002**

#### **Home Mortgage Loans**

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

Home purchase loan distribution by borrower income level is good. FNB's lending to low-income families is significantly lower than the percentage of low-income families, however lending to moderate-income families significantly exceeds the percentage of moderate-income families. The market share of home purchase loans to low-income families is equal to the bank's overall market share, while the market share of loans to moderate-income families exceeds the bank's overall market share.

Home improvement loan distribution by borrower income level is excellent. The bank's lending to low- and moderate-income families exceeds the percentage of low- and moderate-income families. The market share of home improvement loans to low-income families significantly exceeds the bank's overall market share of home improvement loans, while loans to moderate-income families exceed the bank's market share.

Home refinance distribution by borrower income level is good. Lending to low-income families exceeds the percentage of low-income families, while lending to moderate-

income borrowers is near to the percentage of moderate-income borrowers. The market share of home refinance loans to low-income families exceeds the bank's overall market share, while the market share of loans to moderate-income families almost meets the banks market share.

### Small Loans to Businesses

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

Borrower distribution of small loans to businesses is good, despite the strong competition for such loans within the AA. The percentage of bank loans made to businesses with revenues of \$1 million or less is less than the percentage of businesses with revenues of \$1 million or less. Based upon 2002 Peer Small Business Data, the bank's market share of loans to businesses with revenues of less than \$1 million exceeds its overall market share.

## **Central and Lower Bucks County AA - 2003**

### Home Mortgage Loans

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

Home purchase loan distribution by borrower income level is adequate. FNB's lending to low-income families is significantly lower than the percentage of low-income families, however lending to moderate-income families exceeds the percentage of moderate-income families. The market share of home purchase loans to low-income families almost meets the bank's overall market share, while the market share of moderate-income families exceeds the bank's overall market share.

Home improvement loan distribution by borrower income level is excellent. The bank's lending to low- and moderate-income families exceeds the percentage of low- and moderate-income families. The market share of home improvement loans to low- and moderate-income families exceeds the bank's overall market share of home improvement loans.

Home refinance distribution by borrower income level is good. Lending to low-income families is lower than the percentage of low-income families, while lending to moderate-income borrowers exceeds the number of moderate-income borrowers. The market share of home refinance loans to low-income families significantly exceeds the bank's overall market share, while the market share of loans to moderate-income families almost meets the banks market share.

### Small Loans to Businesses

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

Borrower distribution of small loans to businesses is good, despite the strong competition for such loans within the AA. The percentage of bank loans made to businesses with revenues of \$1 million or less is lower than the percentage of businesses with revenues of \$1 million or less. Based upon 2003 Peer Small Business Data, the bank's market share of loans to businesses with revenues of less than \$1million exceeds its overall market share.

## **Central and Lower Bucks County AA - 2004**

### Home Mortgage Loans

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

Home purchase loan distribution by borrower income level is good. FNB's lending to low-income families is significantly lower than the percentage of low-income families, however lending to moderate-income families significantly exceeds the percentage of moderate-income families. The market share cannot be determined, since peer data is not available for 2004.

Home improvement loan distribution by borrower income level is adequate. The bank's lending to low-income families is lower than the percentage of low-income families, while the lending to moderate-income families almost meets the percentage of moderate-income families. The market share cannot be determined, since peer data is not available for 2004.

Home refinance distribution by borrower income level is poor. Lending to low-income families is significantly lower than the percentage of low-income families, while lending to moderate-income families is lower than the percentage of moderate-income families. The market share cannot be determined, since peer data is not available for 2004.

### Small Loans to Businesses

Borrower distribution of small loans to businesses is adequate, despite the strong competition for such loans within the AA. The percentage of bank loans made to businesses with revenues of \$1 million or less is lower than the percentage of businesses with revenues of \$1 million or less. Peer data is not available for 2004.

## **Community Development (CD) Lending**

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

CD lending has a neutral impact on the Lending Test. FNB has made a minimal amount of community development loans. During the examination period the bank granted a \$165M loan to a non-profit group for the purpose of purchasing a home to house low-income individuals suffering from drug or alcohol addiction. Also, In July 2005 FNB became a member of Community Lenders Community Development Corporation (CLCDC). CLCDC is a multi-bank community development corporation whose mission is to promote community revitalization by providing financing for low- and moderate-income housing projects. FNB has executed a \$250M master note with the organization.

It should be noted that during the evaluation period FNB granted loans that have the same characteristics of community development loans, however were HMDA reportable. During the evaluation period the bank granted three loans to a non-profit corporation that develops affordable housing for low- and moderate-income individuals. These three loans totaled \$153 thousand. FNB also granted a \$650 thousand loan to a non-profit corporation for the purpose of acquiring a facility to be used as a half-way house for low-income individuals recovering from alcohol or drug addiction intervention.

## **Product Innovation and Flexibility**

Product innovation and flexibility had a neutral impact on the lending test conclusion for the AA.

FNB continues to offer its First-Time Homebuyer Program and a lower cost student loan program called Keystone Best.

During the review period FNB originated, under its First-Time Homebuyer program, 15 loans totaling \$1.7 million. This program benefits first time homebuyers who are credit worthy, but who are unable to meet the bank's regular residential mortgage requirements. The bank has established maximum income levels dependent upon the size of the family to qualify for this program.

Also during the review period, FNB originated 3,534 Keystone Best student loans for a total of \$6.9 million. This program is available to Pennsylvania higher education students and features lower up-front costs and reduced interest rates after 48 consecutive on-time payments. Loans originated under this program represent a substantial portion of all student loans made during the review period.

## **INVESTMENT TEST**

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

FNB's performance under the Investment Test is rated "High Satisfactory." The bank's response to credit and community development opportunities available within the AA is

good.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments. Overall investment opportunities within the AA include grants and donations to many non-profit organizations that provide housing and community development related services to low- and moderate-income level individuals and families. Other investments include mortgage-backed securities for home mortgage loans to low- and moderate-income families or geographies.

The current period investments total \$5.3 million. This exhibits good responsiveness to the primary credit needs of the AA. During the evaluation period, FNB purchased five housing bonds for a total of \$3.8 million. These bonds included two FNMA mortgage backed securities used to fund a total of 31 home mortgage loans granted to low- and moderate-income families or geographies. Approximately half of the homes were located in Bucks County, while the remaining homes were located in counties within the Philadelphia MD MSA #37964. The bank purchased one City of Philadelphia Redevelopment Authority Bond during the evaluation period. These funds are used to develop, acquire, lease, and operate low-rent housing. Two Delaware Valley Housing Authority of Pennsylvania refund bonds were purchased during the evaluation period. These bonds refinanced the original funding bonds used to construct a 100 unit mid-rise housing complex for the elderly and handicapped persons of low-income eligible under Section 8. There are two remaining bonds from the prior evaluation period with a book value of \$1,479M issued by the Pennsylvania Housing Finance Agency. These funds were used to provide low- and moderate-income housing.

During the evaluation period FNB funded 31 qualified grants totaling \$72 thousand to 15 community organizations within the AA. Of these totals, four grants went to affordable housing organization, and 27 grants went to organization providing community development services benefiting low- and moderate-income individuals and families.

In addition the bank also provides the following community services:

- FNB rents a bank owned office building to a credit-counseling center, which reflects an \$8,000 saving under existing market rates. The center assists low- and moderate-income individuals by educating them in how to apply for mortgage loans, and the benefits of a good credit rating.
- During Community Banking Month in April 2004 the bank collected food to be distributed to local food banks. Customers were requested to vote for their favorite charity, and each can of food donated by a customer counted for one vote. The top three organizations receiving the most votes were awarded a \$500 check by the bank. The collected food aggregated to 46 cases and was donated to two local food banks. These local food banks provide immediate assistance to the homeless, and families in need.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated "High Satisfactory"

#### **Retail Banking Services**

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

FNB's service delivery systems are accessible to geographies and individuals of different income levels in its assessment area. Branch locations are in upper- and middle-income tracts, however are in close proximity of the AA's few populated moderate-income geographies with access available via main thoroughfares and public transportation. There are no low-income tracts within the bank's AA.

FNB provides banking services throughout the entire AA with 12 full service branch locations. All of the full service branches are open for evening hours and extended Friday evening hours. Five of the full service branches are open on Saturday mornings. In addition, FNB has four limited service facilities, all of which are located in retirement villages. These facilities provide limited availability. Days open per week range from one day to three days, while hours are usually curtailed from four to six hours per day. None of the limited service facilities offer Friday evening or Saturday banking. Two of the limited service branches restrict their services to residents of the retirement village. Eighty-three percent of the bank's full service branches are located in upper Income tracts, while 17% are located in middle-income tracts. Seventy-five percent of the limited service branches are located in upper-income tracts, while 25% of the limited service branches are located in middle-income tracts. None of the full service or limited service branches are located in moderate-income tracts.

Office hours provide convenience and reasonable access for the entire community. Continued growth of the bank customer base during the evaluation period indicates that the hours are meeting the needs of the community. Services offered to all customers are consistent with, and do not preclude convenient access to low- and moderate-income individuals living within the AA.

FNB also offers ATM services to its customers with ATMs at all 12 of their full service branches. Cash dispensing machines, which do not accept deposits, are located at three of the bank's limited service branches. In addition the bank has two remote cash dispensing machines. One is located in a retail restaurant / dairy bar, and the other is located in a nursing home facility. FNB did not open or close any branch facilities during the evaluation period. In 2004 the bank razed its small branch facility in Yardley,

Pennsylvania, and replaced it with a new 3,400 square foot modern office on the same location. The new facility is equipped with a drive-in and ATM.

FNB has an assortment of products that assist low- and moderate-income individuals and families. The bank offers a variable rate IRA product that requires a minimum of \$25 to open with minimum deposits of \$25. This saving product allows low- and moderate-income individuals and families the ability to begin a retirement plan without large initial deposits. Senior citizens above 62 years of age, students, and charity organizations are offered free "basic" checking accounts that offer free checks. Direct deposit is not a requirement to obtain a free senior citizen account. Classic Checking offers reduced costs by only charging 35 cents per item. This is a benefit for those who issue a limited number of checks. Another checking account provides limited free checking. It offers free checking for the first year and free on-line service with free bill paying capacity for the first two months. The bank offers free phone banking to all of its customers. FNB also offers a free statement savings account, which requires a minimum balance of \$100 to earn interest. A Kids First Savings account is offered to students between 0 to 18 years of age. There is no minimum balance required and there is no maintenance charge. A minimum balance of \$50 is required in order to earn interest. FNB offers a Visa Check Card at a cost of \$1.00 per month. The bank does not charge an ATM processing fee. The bank has also waived the \$50 liability on unauthorized transactions for Visa Check Cards.

## **Community Development Services**

FNB provides a good level of community development services within its AA. Community development activities include involvement by several officers and employees of FNB that benefit several community organizations.

FNB supports a credit-counseling agency that serves Buck's County. This organization offers budget counseling, debt management, and educational programs to those of low- and moderate-income. The bank's president serves as the center's Vice Chairman of the Board of Directors. FNB also provides meeting rooms for the Board Meetings and leases an office building to the organization at a lower-than-market rent.

The business development and commercial loan officer serves as a board member of a chamber of commerce that serves Lower Buck County. He also lectures at seminars for small business owners. This can be a valuable source of information and knowledge to the small business owners.

A banking officer and branch manager serves on the board of a young men's organization that serves Lower Bucks County. This organization provides summer camp scholarships to children of low- and moderate-income families.

Another banking officer and branch manager serves on the board of a local business and professional association. This officer conducts semi-annual seminars to small business owners to assist them in the development of new skills. The organization's

mission is to help small businesses by providing a forum for networking, recognition, education, promotional opportunities, group purchasing and a voice with public officials.

The president and chief executive officer serves on the board and is a member of the finance committee of a local revitalization group. This organization manages a joint program whose mission it is to improve the downtown area of Newtown. This is accomplished by using seed money from the borough, the township, and the business community in conjunction with state and federal grants. The ultimate end of this organization is to increase the amount of businesses in the downtown area, thus increasing the number of jobs in the community.

The president and chief executive officer serves on a local committee of business owners, who have formed a group to alleviate problem parking in the downtown area. Their mission is to increase the availability of parking in order to allow more customer access, and thus create more jobs within the downtown community.

The president and chief executive officer serves as treasurer for a local nursing home, whose residents are largely low- and moderate-income individuals.

A branch manager sits on the allocations committee of a national fund raising organization, which assists low-and moderate-income individuals with housing and community service needs.

A branch manager serves on the acquisition committee of a local group, which purchases properties for refurbishing and providing low- and moderate-income housing.

A branch manager serves on the board of a national organization that provides adult mentoring and guidance to children without stable parents. Most of the children benefiting from this organization come from low-and moderate-income families.

A branch manager has conducted banking workshops and budgeting seminars presented through a federal program operating in Bucks County program serving low-and moderate-income families.

FNB also works closely with families who have suffered tragedies by establishing accounts and receiving public donations. All accounts and counseling are provided free.

## **Appendix A: Scope of Examination**

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



that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): January 1, 2002 to December 31, 2004 Investment and Service Tests and CD Loans: January 1, 2002 to September 5, 2005	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The First National Bank and Trust Company of Newtown Newtown, Pennsylvania		HMDA reportable loans, small loans to businesses, community development loans, investments and services.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
No affiliate products	N/A	None
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Central and Lower Bucks County AA (Part of Philadelphia MD MSA # 37964)	Full Scope	

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

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### **Central and Lower Bucks County AA**

Demographic Information for Full-Scope Area: Central and Lower Bucks County AA
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Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	109	0.00	10.09	42.20	47.71	0.00
Population by Geography	504,146	0.00	7.67	38.65	53.68	0.00
Owner-Occupied Housing by Geography	142,013	0.00	4.92	37.32	57.76	0.00
Businesses by Geography	51,203	0.00	7.72	37.64	54.64	0.00
Farms by Geography	1,165	0.00	4.89	29.61	65.49	0.00
Family Distribution by Income Level	136,289	11.73	14.49	22.09	51.69	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	35,743	0.00	14.50	49.98	35.53	0.00
Median Family Income HUD Adjusted Median Family Income for 2004 Households Below Poverty Level	56,993 66,300 12.1%	Median Housing Value Unemployment Rate				124,589 3.17%

Source: 2000 U.S. Census, and 2004 HUD updated MFI.

## Description of the Assessment Area

FNB has a single defined AA, Central and Lower Bucks County, which is incorporated in the Philadelphia MD MSA #37964. Based upon 2000 Census Demographic Data, the AA is comprised of 109 contiguous CTs. Based upon the 1990 Census Demographic Data the AA contained a total of 99 CTs, which included one low-income tract and four moderate-income tracts. The 2000 Census Demographic Data eliminated the single low-income tract, increased the moderate-income tracts from four to 11, and increased the aggregate number of tracts within the AA from 99 to 109. Based upon this 2000 Census Demographic Data, the majority of the tracts (52) are designated upper-income (48%). Middle-income tracts (46) account for 42% of the total tracts, and moderate-income tracts (11) account for 10% of the total tracts. There are no low-income tracts within the AA.

FNB's AA complies with regulatory requirements, and does not arbitrarily exclude low- and moderate-income areas. All market share data discussed in the PE is in reference to the bank's market share within its AA.

Lending opportunities are limited in the bank's AA. There are no low-income CTs. There are 11 moderate-income CTs, and only 7.67% of the AA's total population resides within these tracts. Only 4.92% of all owner-occupied housing is within the moderate-income tracts. Ten of the 11 moderate-income tracts are in the southern portion of the AA and in low populated areas. These tracts consist of undeveloped land along the Delaware River, and bodies of water. These tracts are also home to a large nationally owned landfill, while a 2,000 plus acre parcel is a brownfield area formerly

occupied by a steel plant. Another moderate-income tract is located in the central portion of the AA. This tract was formerly occupied by government housing for military personnel attached to a United States Naval / Marine airbase. It is now a federally owned housing project.

Based upon the 2000 Census Demographic Data, FNB's AA has a population of 504,146 that includes 136,289 families. The average updated (2004) median family income for the AA per the Department of Housing and Urban Development (HUD) is \$56,993. There are 189,158 total housing units within the AA. Of this total 142,013 are owner-occupied (75%), 41,760 are occupied rental units (22%), and 5,385 are vacant units (3%). There are 156,268 single-family 1-4 units, which account for 83% of all total housing units. Based upon 2000 Census Demographic Data, the median age of the housing stock in the AA is 30 years old, and the median housing value is \$124,584.

Based upon an updated report dated June 5, 2005 by the Commonwealth of Pennsylvania Center for Workforce Information and Analysis, the top five employers in the AA are the Central Bucks School District, Bucks County Government, Northtec, LLC, Doylestown Hospital and Healthtec Services, Inc. Most of the employment within the AA is provided by school districts, hospitals and nursing homes, large retail food, department and retail stores, and local, state, and federal government entities. Major manufacturing is limited, and economic expansion in Bucks County is largely supported by small business concerns. The rate of unemployment in Bucks County is 3.17%, and below that of the Commonwealth of Pennsylvania which is 4.1% for the same period.

Credit needs of the community were determined during this examination through discussions with management and community contact activities. Interviews were conducted with officials from a non-profit organization that provides housing for low-income and indigent individuals. This agency promotes economic development within the bank's AA, while also addressing the needs of low-and moderate-income individuals residing within the community. The discussion ascertained the primary needs are affordable housing and small loans to businesses.

## **Appendix C: Tables of Performance Data**

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### **Content of Standardized Tables**

References to the "bank" include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are

treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank's assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Community Development Loans" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of Assessment Area" is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income

geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

**Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.

**Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.

**Table 10. Borrower Distribution of Refinance Loans** - See Table 8.

**Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area.

See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's

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

**Table 1 – Lending Volume**

LENDING VOLUME		Geography: FNB NEWTOWN						Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Lower and Central Bucks AA 2002	100.00	336	19,688	133	17,386	0	0	0	0.00	469	37,074	5.60%
Lower and Central Bucks AA 2003	100.0	516	34,688	177	23,055	1	28	0	0.00	693	57,743	5.41%
Lower and Central Bucks AA 2004	100.0	302	20,819	182	28,795	0	0	1	165	485	49,779	5.33%

\* Loan Data as of December 31, 2004. Rated Area refers to either the state or multi-state rating areas.

\*\* The evaluation period for Community Development Loans is from January 1, 2002 to September 5, 2005

\*\*\* Deposit Data as of June 30, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.



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

Geographic Distribution: HOME PURCHASE		Geography: FNB NEWTOWN					Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004									
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total*	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Central and Lower Bucks County AA 2002	28	100.0	0.01	0.00	1.35	0.00	49.33	39.29	49.30	60.71	0.25	0.00	0.00	0.25	0.25	
Central and Lower Bucks County AA 2003	45	100.0	0.00	0.00	6.65	2.22	42.21	13.33	51.15	84.44	0.36	0.00	0.15	0.14	0.51	
Central and Lower Bucks County AA 2004	33	100.0	0.00	0.00	4.92	3.03	37.32	24.24	57.78	72.73	N/A	N/A	N/A	N/A	N/A	

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

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

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

Geographic Distribution: HOME IMPROVEMENT		Geography: FNB NEWTOWN					Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies							
	#	% of Total*	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Central and Lower Bucks County AA 2002	149	100.0	0.01	0.00	1.35	0.00	49.33	42.95	49.30	57.05	4.80	0.00	0.00	4.75	4.94	
Central and Lower Bucks County AA 2003	196	100.0	0.00	0.00	6.65	1.02	42.21	32.14	51.15	66.84	5.42	0.00	0.84	3.95	7.34	
Central and Lower Bucks County AA 2004	191	100.0	0.00	0.00	4.92	3.14	42.21	30.89	51.15	65.97	N/A	N/A	N/A	N/A	N/A	

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

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE    Geography: FNB NEWTOWN    Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004															
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% Owner Occ Units**	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Central and Lower Bucks County AA 2002	159	100.0	0.01	0.00	1.35	0.00	49.33	36.48	49.30	63.52	0.52	0.00	0.00	0.50	0.54
Central and Lower Bucks County AA 2003	275	100.0	0.00	0.00	6.65	1.82	42.21	29.09	51.15	69.09	0.56	0.00	0.23	0.48	0.64
Central and Lower Bucks County AA 2004	78	100.0	0.00	0.00	4.92	2.56	37.32	30.77	57.76	66.67	N/A	N/A	N/A	N/A	N/A

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

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

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

Geographic Distribution: SMALL LOANS TO BUSINESSES Geography: FNB NEWTOWN Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004															
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total*	% of Businesses**	% BAN K Loans	% of Businesses**	% BANK Loans	% of Businesses* *	% BANK Loans	% of Businesses**	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Central and Lower Bucks County AA 2002	133	100.0	0.25	0.00	2.30	0.00	48.30	44.36	49.13	55.64	0.68	0.00	0.00	0.62	0.90
Central and Lower Bucks County AA 2003	177	100.0	0.00	0.00	9.22	2.82	41.81	14.12	48.97	83.05	0.86	0.00	0.30	0.35	1.54
Central and Lower Bucks County AA 2004	182	100.0	0.00	0.00	9.22	5.49	41.81	17.03	48.97	77.47	N/A	N/A	N/A	N/A	N/A

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

\*\* Source Data (Dun and Bradstreet – 2003)

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

Borrower Distribution: HOME PURCHASE		Geography: FNB NEWTOWN					Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004					Market Share				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total*	% Families*	% BANK Loans**	% Families**	% BANK Loans	% Families**	% BANK Loans	% Families**	% BANK Loans						
<b>Full Review:</b>																
Central and Lower Bucks County AA 2002	28	100.0	10.63	3.85	14.72	30.77	24.78	19.23	49.87	46.15	0.28	0.28	0.51	0.21	0.24	
Central and Lower Bucks County AA 2003	45	100.0	12.10	2.38	14.86	19.05	22.54	26.19	50.50	52.38	0.40	0.24	0.42	0.38	0.42	
Central and Lower Bucks County AA 2004	33	100	12.10	6.25	14.86	25.00	22.54	31.25	50.50	37.50	N/A	N/A	N/A	N/A	N/A	

\* As a percentage of loans with borrower income information available. No information is available for 3.0% of loans originated and purchased by the bank.

\*\* Percentage of families is based on 2000 Census information.

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

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

<b>Borrower Distribution: HOME IMPROVEMENT      Geography: FNB NEWTOWN      Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004</b>															
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total*	% Families*	% BANK Loans***	% Families**	% BANK Loans	% Families**	% BANK Loans	% Families**	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Central and Lower Bucks County AA 2002	149	100.0	10.63	13.48	14.72	19.15	24.78	29.79	49.87	37.59	4.79	11.52	6.08	5.19	3.48
Central and Lower Bucks County AA 2003	196	100.0	12.10	12.77	14.86	17.55	22.54	27.66	50.50	42.02	5.35	9.68	6.13	5.07	4.64
Central and Lower Bucks County AA 2004	191	100.0	11.73	9.73	14.49	13.51	22.09	22.70	51.69	54.05	N/A	N/A	N/A	N/A	N/A

\* As a percentage of loans with borrower income information available. No information is available for 3.1% of loans originated and purchased by the bank.

\*\* Percentage of families is based on 2000 Census information.

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

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

<b>Borrower Distribution: HOME MORTGAGE REFINANCE    Geography: FNB NEWTOWN    Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004</b>															
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total*	% Families**	% BANK Loans***	% Families**	% BANK Loans***	% Families**	% BANK Loans***	% Families**	% BANK Loans***	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Central and Lower Bucks County AA 2002	159	0.00	10.63	11.33	14.72	12.00	24.78	32.00	49.87	44.67	0.58	1.99	0.54	0.76	0.43
Central and Lower Bucks County AA 2003	275	100.0	12.10	10.34	14.86	14.94	22.54	27.59	50.50	47.13	0.64	1.54	0.62	0.66	0.56
Central and Lower Bucks County AA 2004	78	100.0	12.10	5.41	14.86	9.46	22.54	40.54	50.50	44.59	N/A	N/A	N/A	N/A	N/A

\* As a percentage of loans with borrower income information available. No information is available for 5.1% of loans originated and purchased by bank.

\*\* Percentage of families is based on 2000 Census information.

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

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

Borrower Distribution: SMALL LOANS TO BUSINESSES    Geography: FNB NEWTOWN    Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2004									
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total*	% of Businesses*	% BANK Loans***	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Central and Lower Bucks County AA 2002	133	100.0	54.68	49.62	73.68	13.53	12.78	0.68	1.42
Central and Lower Bucks County AA 2003	177	100.0	62.45	50.85	66.10	19.21	14.69	0.86	1.45
Central and Lower Bucks County AA 2004	182	100.0	63.81	56.04	62.09	19.78	18.13	N/A	N/A

\* Small loans to businesses originated and purchased in the MA / AA as a percentage of all small loans to businesses originated and purchased in the rated area.  
 \*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source – Dun and Bradstreet – 2004)  
 \*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 5.49% of small loans to businesses originated and purchased by the bank.



**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS									
Geography: FNB NEWTOWN.									
Evaluation Period: January 1, 2002 to September 5, 2005									
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Central and Lower Bucks County AA	2	\$1,479	5	\$3,791	7	\$5,270	100%	0	

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

\*\* Unfunded commitments means legally binding investment commitments that are tracked and recorded by the institutions financial reporting system.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM & BRANCH OPENINGS/CLOSINGS Geography: FNB NEWTOWN Evaluation Period: 01/01/02 to 09/05/05																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Central and Lower Bucks County AA	100.0%	16	100.0%	0	0	3	13	0	0	0	0	0	0	0	7.67	38.65	53.68