



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**Blue Ball National Bank
Charter Number: 8421
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NOTE: This Evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Definitions

Community development - affordable housing or community services targeted to low- or moderate-income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low- or moderate-income geographies.

Community development loan - a loan that has its primary purpose in community development, benefits the assessment area, and has not been reported or collected by the bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling.

Community development service - a service that has its primary purpose in community development, is related to the provision of financial services, and has not been considered in the Evaluation of the bank's retail banking services.

Geography - a census tract or block numbering area.

HMDA loan - a home improvement loan, a refinance loan, or a home purchase loan that is reported on the Home Mortgage Disclosure Act Report.

Home improvement loan - any loan that is for the purpose in whole or in part of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.

Home purchase loan - any loan secured by and made for the purpose of purchasing a dwelling.

Low-income - an individual income that is less than 50% of the area median income, or a median family income (MFI) that is less than 50%, in the case of a geography.

Middle-income - an individual income that is at least 80% and less than 120% of the area median income, or a MFI that is at least 80% and less than 120%, in the case of a geography.

Moderate-income - an individual income that is at least 50% and less than 80% of the area median income, or a MFI that is at least 50% and less than 80%, in the case of a geography.

Multifamily loan - any loan secured by and made for the purpose of purchasing a dwelling for five or more families. The Home Mortgage Disclosure Act does not require banks to report income data on these loans.

Upper-income - an individual income that is 120% or more of the area median income, or a MFI that is 120% or more, in the case of a geography.

Qualified investment - a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Refinance loan - any loan in which the existing obligation, involving either a home purchase or a home improvement loan, is satisfied and replaced by a new obligation.

Small Business Loan - a business loan (Bank Call Report definition) for \$1 million or less.

Small Farm Loan - a farm loan (Bank Call Report definition) for \$500 thousand or less.

Small Business or Small Farm - a business or farm with annual revenues of \$1 million or less.

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 **Blue Ball National Bank (BBNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 7, 1999**. 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 C.F.R. Part 25.

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

The primary factors supporting the overall rating are:

- \$ A substantial majority (89%) of loans were made in the bank's assessment area;
- \$ An overall good distribution of home loans to borrowers with low- or moderate-income, with the exception of the Reading assessment area where the bank's performance was not as strong;
- C An excellent distribution of loans to small size businesses and farms. Also, a good distribution of small size business loans and an excellent distribution of small size farm loans and (loans for less than \$100,000);
- C An adequate geographic distribution of home loans and small business loans;
- C An adequate amount of community development loans;
- C An adequate level of qualified community development investments considering the limited opportunities in the bank's assessment area;
- \$ Service delivery systems that are reasonably accessible to geographies and individuals of different income levels in the bank's assessment area; and
- \$ An adequate level of community development services.

The following chart indicates the performance level of BBNB with respect to the lending, investment, and service tests:

BBNB Performance Tests			
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	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.

Description of Institution

BBNB is a large intrastate community bank headquartered in Blue Ball Pennsylvania, with \$730 million in assets as of March 31, 1999. BBNB is the principal subsidiary of PennRock Financial Services Corp, which had \$731 million in assets as of December 31, 1998. The bank is a full service bank with 14 branch offices spanning three counties in the State of Pennsylvania. As of March 31, 1999, BBNB's gross loans were \$418 million, representing 57% of total assets. The bank's loan mix consists of 79% real estate loans, 14% commercial & industrial loans, 4% loans to individuals, and 3% agricultural loans. Since March 31, 1997, gross loans have increased by 6%. The growth was attributable mainly to a 9% increase in real estate, while commercial loans decreased by 3%, individual loans decreased by 5%, and agricultural loans decreased by 12%.

In addition to providing a complete range of commercial and personal banking products, BBNB also offers trust services, discount brokerage services and mutual funds. BBNB operates in a very competitive financial services market with intense competition from mortgage companies, large regional banks, savings banks, community banks, credit unions and finance companies. BBNB is not subject to any known financial, legal, or regulatory restrictions that impede its ability to help meet the credit needs of its assessment area.

The bank has one operating subsidiary, PennRock Insurance Group Inc. This subsidiary did not affect the bank's capacity to meet the lending and investment needs of its assessment area. PennRock does not offer a product or service related to the bank's CRA performance. PennRock sells fixed rate annuity products.

Description of Assessment Areas (AA)

BBNB has three AAs, each consisting of a portion of three different Metropolitan Statistical Areas (MSA). The MSAs are the Lancaster MSA (#4000), the Reading MSA (#6680) and the Philadelphia MSA (#6160). Geographically, the Lancaster MSA contains all of Lancaster County, the Reading MSA contains all of Berks County and the Philadelphia MSA is made up of Bucks, Chester, Delaware, Montgomery and Philadelphia Counties.

Combined AA

BBNB's combined AA consists of parts of the counties of Lancaster, Berks, and Chester, and is located entirely in south central Pennsylvania. The geographies comprising the AA are contiguous, and meet the regulatory requirements for an AA. The bank revised its combined AA in April 1998 as a result of the sale of a remote office to another financial institution, and the opening of a new branch in a senior citizen home. The combined AA encompasses a total of 162 geographies, 12 more than the 150 geographies in the previous AA.

This revision to the AA resulted in the addition of four low-income and eight moderate-income geographies in the Reading AA. Previously, the Reading AA contained no low- or moderate-income geographies. The bank has no offices located in a low- or moderate-income geography, or for that matter anywhere within the City of Reading. Management felt it was prudent to include a portion of the City geographies since it had offices on the outskirts of the City on the north, south and west sides. The bank's closest office to the low- and moderate-income geographies is about three miles from the nearest of these geographies. There are several branches of other banks located closer to or inside these geographies than BBNB.

The population of the combined AA is \$682 thousand. Seventy-seven percent of the population is over the age of 16. The income designations for the AA geographies are 2% low-income, 9% moderate-income, 74% middle-income, 14% upper-income, and 1% which are not income classified. The geography which is not classified is presently an undeveloped area. Eighty-four percent of the housing units in the AA are one-to-four family units, 10% are multifamily units, and 1% are condominiums. Mobile homes represent 5% of the housing units. Of the total housing units, 70% are owner-occupied, 26% are renter-occupied, and 4% are vacant. The median housing price in the AA is \$92,518.

The unemployment rates for the combined AA have improved over the past year. As of April 30, 1999, the state unemployment rate stood at 4.1%. The Lancaster MSA was significantly better, with an unemployment rate on that date of 2.3%, down from 2.7% a year ago. The Reading MSA unemployment rate remained at 4.2%, the same as one year ago, and the Philadelphia MSA unemployment rate was at 3.7% for the end of April, down from 4.2% one year ago.

According to 1998 business demographics, there are 23,887 businesses in the AA. Of these businesses, 862 are farms. Small businesses represent 88% of the 20,025 businesses reporting

revenues in the AA. Eighty-two percent of the businesses reporting have less than ten employees. The primary industries in the AA are services (38%), retail trade (21%) and construction (13%). While tourism in the area, known as the "Pennsylvania Dutch Country", continues to grow, the area does retain many rural qualities. Retail trade, manufacturing, tourism, agriculture and service industries continue to provide the area with a diverse economic base. The major employers in the AA are manufacturing firms such as Armstrong World Industries and East Penn Manufacturing Co.; health care providers - Lancaster General Hospital, Reading Hospital and Shared Medical Systems; high technology firm Lucent Technologies; and mutual fund provider - the Vanguard Group.

Lancaster AA

The Lancaster AA is in northern Lancaster County, encompassing the boroughs of New Holland, Terre Hill, Adamstown, Denver, Ephrata, Akron, Lititz, Strasburg, Quarryville, Christiana, East Petersburg, Manheim and Mount Joy, as well as the townships of West Cocalico, Clay, Elizabeth, Warwick, Upper Leacock, Leacock, Paradise, Salisbury, Caernarvon, Brecknock, East Cocalico, Ephrata, West Earl, Earl, East Earl, Strasburg, Eden, Bart, Sadsbury, Colerain, East Lampeter, West Lampeter, Manheim, Penn, Rapho and East Hempfield.

The Bank's Lancaster AA includes 69, or 43%, of the 162 geographies in the combined AA. This geography's population is 333,908, or 49% of the combined AA's population. The income designations for this AA's geographies are 90% middle-income and 10% upper-income. There are no low- or moderate-income geographies in this AA. Eighty-three percent of the housing units in this AA are one-to-four family units, 9% are multifamily units, 6% are mobile homes and 2% are condominiums. Of the total housing units in this AA, 71% are owner-occupied, 26% are renter-occupied and 3% are vacant. The median housing price is \$96,291.

The 1990 U.S. Census Median Family Income for this AA is \$37,791. This figure is used to determine the income designation of the MSAs geographies. The 1998 Housing and Urban Development (HUD) Updated Median Family Income for the Lancaster AA is \$46,200. This figure is used to determine the income designation of individuals in this MSA.

In this AA, there are 13,066 businesses, of which 513 are farms. Small businesses represent 87% of the 11,013 businesses reporting revenues. Eighty-two percent of the businesses reported having less than ten employees. The primary industries in this AA are services (36%), retail trade (22%) and construction (13%).

Reading AA

The Reading AA, in southern Berks County, encompasses the boroughs of Birdsboro, Kenhorst, Laureldale, Leesport, Mohnton, Mount Penn, Shillington, Sinking Spring, St. Lawrence, Temple, Wernersville, West Reading, Wyomissing, Wyomissing Hills and West Lawn, as well as the townships of Caernarvon, Brecknock, Robeson, Union, Cumru, Spring, South Heidelberg, Lower Heidelberg,

Muhlenburg, Ontelaunee, Lower Alsace, Exeter, Bern and Alsace and the City of Reading.

The AA includes 60, or 37%, of the 162 geographies in the combined AA. This geography's population is 247,333, or 36% of the combined AA's population. This AA contains all of the bank's low- and moderate-income geographies. The income designations for this AA's geographies are 7% low-income, 25% moderate-income, 55% middle-income and 13% upper-income. Eighty-six percent of the housing units in this AA are one-to-four family units, 11% are multifamily units, 2% are mobile homes and 1% are condominiums. Of the total housing units in this AA, 68% are owner-occupied, 28% are renter-occupied and 4% are vacant. The median housing price is \$75,232.

The 1990 U.S. Census Median Family Income for this AA is \$37,755. The 1998 Updated Median Family Income for the Reading AA is \$46,500.

In this AA there are 7,957 businesses, of which 207 are farms. Small businesses represent 87% of the 6,540 businesses reporting revenues. Eighty percent of the businesses reported having less than 10 employees. The primary industries in this AA are services (41%), retail trade (22%) and construction (11%).

Philadelphia AA

The Philadelphia AA is in western Chester County, encompassing the boroughs of Honey Brook, Elverson, Atglen and Parkesburg as well as the townships of Honey Brook, West Caln, West Brandywine, Wallace, West Nantmeal, East Nantmeal, Warwick, West Sadsbury, Sadsbury, West Fallowfield, Upper Oxford, Highland, Londonberry, Valley, East Fallowfield, North Coventry and South Coventry.

The Bank's Philadelphia AA includes 33, or 20%, of the 162 geographies in the combined AA. This geography's population is 100,891, or 15% of the combined AA's population. The income designations for this AA's geographies are 73 middle-income and 24% upper-income. Three percent is not classified and there are no low- or moderate-income geographies. Eighty-three percent of the housing units in this AA are one-to-four family units, 8% are multifamily units, 8% are mobile homes and 1% are condominiums. Of the total housing units in this AA, 74% are owner-occupied, 22% are renter-occupied and 4% are vacant. The median housing price is \$127,057.

The 1990 U.S. Census Median Family Income for this AA is \$41,908. The 1998 Updated Median Family Income for the Philadelphia AA is \$52,900.

In this AA there are 2,864 businesses, of which 142 are farms. Small businesses represent 90% of the 6,540 businesses reporting revenues. Eighty-seven percent of the businesses reported having less than ten employees. The primary industries in this AA are services (38%); construction (18%) and retail trade (16%).

Community Contacts

During the examination, a local housing agency was contacted and data from a social services foundation contact was reviewed. Our housing agency contact stated that affordable housing, financing, whether single family or multifamily units, is an important credit need in the area. Also, the contact felt there is a need for small size business loans for working capital, and investments for new start-up businesses and micro-enterprises. The contact believes there is a limited amount of tax credit investments available in the bank's AA, and the competition for the available credits is fierce.

The review of the recent community contact with the social services group also confirmed that assisting low- and moderate-income individuals in purchasing adequate and appropriate housing was a credit need.

Conclusions with Respect to Performance Tests

Scope of Review

This lending review covers the calendar years 1997 and 1998, with the exception of community development lending. Community development lending, along with all other areas of the review, i.e., investments and services, are from date of the bank's prior examination to the June 7, 1999 date of this examination. The effective date of the bank's last examination was July 23, 1997, at which time the bank received a satisfactory rating. The market share and peer lender comparisons contained in the Lending Test are based on information contained in the aggregate Home Mortgage Disclosure Act (HMDA) and Small Business Reports for 1997. This information was not available for 1998 activities at the time of our review. The aggregate HMDA and Small Business Reports are available for public review. The 1998 information is based on the bank's HMDA Loan Application Register (LAR) and Small Business Register.

The peer comparisons in this Evaluation include only lenders who were required to file HMDA and Small Business Reports for 1997. Essentially all lenders operating in BBNB's AA would have been required to file HMDA information. Small business reporting is required of bank and thrift institutions with assets of \$250 million or more as of December 31 of the prior two calendar years preceding the reporting year, or an affiliate of a holding company with \$1 billion or more in assets during the same time periods.

From this point forward, all information presented represents activities, which occurred in BBNB's combined AA, unless otherwise noted. Each separate MSA discussion which appears later in the Evaluation, discusses the activities within the bank's AA portion of the MSA unless otherwise noted.

Lending Test

AA Concentration of Lending Activity

BBNB originated a total of 981 HMDA loans, 1,130 small business loans, and 566 small farm loans between January 1, 1997 and December 31, 1998. The table below shows the number and dollar amount of HMDA, small business and small farm loans that were originated during this time period. The bank made a substantial majority of these loans (89%) inside its AA. Of these loan products, small business loans are the most active in both number and dollars, with 45% of the total number of loans and 56% of the loan dollars. HMDA loans are the second most active product, with 36% of the number and 35% of the dollars. Small farm loans are the smallest of this group with 19% of the number and 8% of the dollars. We gave approximately equal weight to the three loan products. All three products represent important credit needs in the AA, and all represented a significant level of activity.

Ratio of Loans Originated Inside the AA - January 1, 1997 through December 31, 1998				
	HMDA	Small Business	Small Farm	Total
Number				
Number of loans inside the AA	851	1059	465	2375
Total number of Loans	981	1130	566	2677
# of Loans Inside/Total # of Loans	87%	94%	82%	89%
Dollars (in 000's)				
\$ of Loans Inside the AA	\$68,268	\$108,795	\$17,095	\$194,158.00
Total \$ of Loans	\$78,831	\$123,046	\$23,460	\$225,337.00
\$ of Loans Inside/Total \$ of Loans	87%	88%	73%	86%

Level of Lending Activity

BBNB is a reasonably active HMDA lender. The 851 HMDA loans originated during 1997 and 1998 represented a 10% increase over the 771 HMDA loans originated during the previous examination period of 1995 through 1996. The bank ranked 29th for market share out of 248 lenders present in the home purchase loan market in 1997, with a 1.32% market share. It ranked 36th for market share in the refinance loan market out of 300 lenders in 1997, with a .78% market share. In both cases the bank was outranked mainly by mortgage companies and larger banking institutions. BBNB realized a higher market share of home improvement lending, with a ranking of number 16 out of 100 lenders in the market, and a 2.03% market share.

The bank is an active small business lender, ranking 6th out of the 111 small business lenders in the

market in 1997 with a 4.75% market share. The institutions which outranked the bank were larger banks and a large credit card company. BBNB is a very active small farm lender, ranking 2nd for market share of small farm loans with a 16.86% share of the market in 1997.

Borrower Characteristics

Home Purchase Loans

BBNB has an excellent market share of home purchase loans to moderate-income borrowers and a good market share of loans to low-income borrowers. The bank realized a 1.77% share of the moderate-income borrower market, and a 1.28% share of the low-income borrower market compared to 1.32% overall market share. The bank's market share of the middle-income borrower market was 1.30%. Its share of the upper-income market was only .31%.

BBNB also had an excellent distribution of home purchase loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 25% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed 7% of its loans to low-income families compared to a 14% distribution of low-income families. This was good compared to the 6% loan distribution of the average lender to low-income families. Please refer to Table 7 in the **Appendix** for further details.

Home Improvement Loans

BBNB has an excellent market share of home improvement loans to moderate-income borrowers and an adequate market share of loans to low-income borrowers. The bank realized a 2.52% share of the moderate-income borrower market, and a 1.27% share of the low-income borrower market compared to 2.03% overall market share. The bank's market share of the middle-income borrower market was 1.89%. Its share of the upper-income market was 2.16%.

BBNB also had an excellent distribution of home improvement loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 20% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed 6% of its loans to low-income families compared to a 14% distribution of low-income families. This was adequate when compared to the 10% distribution of loans made by the average lender to low-income families. Please refer to Table 8 in the **Appendix** for further details.

Refinance Loans

BBNB has an excellent market share of refinance loans to moderate-income borrowers and a poor market share of loans to low-income borrowers. The bank realized a .85% share of the moderate-income borrower market, and a .32% share of the low-income borrower market compared to .78% overall market share. The bank's market share of the middle-income borrower market was .78%. Its

share of the upper-income market was 1.05%.

BBNB also had an excellent distribution of refinance loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 28% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed 2% of its loans to low-income families compared to a 14% distribution of low-income families. This was poor when compared to the 8% distribution of loans by the average lender. Please refer to Table 9 in the **Appendix** for further details.

Small Business Lending

BBNB has an excellent distribution of loans to small sized businesses, and a good distribution of small size loans, i.e., loans for less than \$100,000. BBNB made 66% of its loans to small size businesses compared to the 48% average for all lenders in the market. This 66% ratio was also much closer to the 74% ratio of small businesses operating in the area than the 48% realized by the average lender.

In 1997, the bank realized a 7.16% market share of loans to businesses with annual revenues of \$1 million or less compared to a 4.75% market share of all small business loans.

A substantial majority of BBNB's small business loans were for amounts less than \$100,000. Seventy five percent of the bank's loans were for \$100,000 or less. The need for small size business loans was a credit need mentioned by one of our community contacts. Please refer to Table 10 in the **Appendix** for further details.

Small Farm Lending

BBNB has a excellent distribution of loans to small sized farms, and an excellent distribution of small size loans, i.e., loans for less than \$100,000. BBNB made 96% of its loans to small size farms compared to the 94% average for all lenders in the market. In 1997, the bank realized a 17.62% market share of loans to farms with annual revenues of \$1 million or less compared to a 16.86% market share of all small farm loans. Small farms represent 90% of all farms operating in the area.

The vast majority (92%) of BBNB's small farm loans were in amounts equal to or less than \$100,000. Please refer to Table 11 in the **Appendix** for further details.

Geographic Distribution

Lending Gap Analysis

There were no conspicuous or inappropriate gaps found in BBNB's geographic loan distribution. As mentioned earlier in this Evaluation under the **Description of the Assessment Areas**, BBNB had no low- or moderate-income geographies in its AA until April 1998. All of the market share numbers shown in this section are for 1997 only, prior to the bank redefining its AA. The loan distribution

percentages comprise the total activity for 1997 and 1998 prior to the bank's office location changes that lead it to redefine its AA. The loan distribution percentages comprise the total activity for 1997 and 1998.

Home Purchase Loans

BBNB has an adequate distribution of home purchase loans to low- and moderate-income geographies. The bank realized a 2.04% share of the low-income geography market, and a 0% share of the moderate-income geography market compared to an overall market share of 1.32%.

The bank's market share of the middle-income borrower market was 1.69%. Its share of the upper-income market was only .33%. It should be noted that the bank did not include any low-and moderate-income geographies in its AA until April 1998.

BBNB distributed less than .5% of its loans to low-income geographies, which account for 1% of the owner occupied housing in the AA. It distributed 1% of its loans to moderate-income geographies where 5% of the AAs owner-occupied housing is located. Please refer to Table 2 in the **Appendix** for further details.

Home Improvement Loans

BBNB had a poor distribution of home improvement loans in low- and moderate-income geographies. The bank made no home improvement loans to low-income geographies, which account for 1% of the owner occupied housing in the AA or to moderate-income geographies where 5% of the AAs owner-occupied housing is located.

The bank realized an overall market share of 2.03%. The bank's market share of the middle-income borrower market was 2.48%. Its share of the upper-income market was only .62%. Please refer to Table 3 in the **Appendix** for further details.

Refinance Loans

BBNB has an adequate distribution of refinance loans to low- and moderate-income geographies. The bank realized a .35% share of the moderate-income geography market, and a 0% share of the low-income geography market compared to an overall market share of .78%. The bank's market share of the middle-income borrower market was .96%. Its share of the upper-income market was only .25%. It should be noted that the bank did not include any low or moderate-income geographies to its AA until April 1998.

BBNB distributed 2% of its loans to moderate-income geographies, where 5% of the AAs owner-occupied housing is located. It distributed less than .5% of its loans to low-income geographies, where only 1% of the AAs owner-occupied housing is located. Please refer to Table 4 in the **Appendix** for further details.

Small Business Loans

BBNB has an adequate distribution of small business loans to low- and moderate-income geographies. The bank realized a 2.03% market share of the low-income geography market, and a 3.21% share of the moderate-income geography market compared to a 4.75% overall market share. It realized a 6.83% share of the middle-income and 1.52% share of the upper-income geography market.

BBNB distributed 3% of its loans to moderate-income geographies, where 5% of the AAs businesses are located. It distributed less than .5% of its loans to low-income geographies, where only 2% of the AAs businesses are located. Please refer to Table 5 in the **Appendix** for further details.

Small Farm Loans

The bank made no small farm loans in low- or moderate-income geographies. There are no farms located in low-income geographies, and only eight or 1% of the AAs farms are located in moderate-income geographies. There were no farm loans made by any lender in the moderate-income geographies during 1997. Please refer to Table 6 in the **Appendix** for further details.

Community Development Lending

BBNB made an adequate amount of community development loans given the bank's size and the limited opportunities in the area. The limited opportunities were verified with a community contact. The bank made two separately reportable community development loans totaling \$10,000 to a nonprofit organization that provides assistance to startup minority run businesses. BBNB also made loans with a community development purpose, which were reported on the bank's Small Business Register.

Innovative or Flexible Lending Practices

BBNB offers a number of innovative and flexible products to address community credit needs. The bank has no minimum loan amount requirements for mortgage loans. Typically, many local lenders do not offer mortgage loan amounts below \$50,000. During the examination period, BBNB originated 107 loans with principal amounts below \$50,000. These totaled \$3.9 million, with an average loan amount of \$35,000.

The bank offers residential mortgage loans through Fannie Mae's Community Home Buyers Program, which is targeted to low- and moderate-income individuals and geographies. This program offers financing opportunities for potential borrowers with as little as 3% in down payment monies. BBNB closed three loans under this program totaling \$272,000 during the examination period.

Participating in programs sponsored by the Rural Economic Community Development Service, the bank

offers special financing packages for residential homebuyers in rural areas. These programs allow low- and moderate-income individuals to purchase homes in rural locations with as little as 5% in down payment monies. During this examination period, BBNB closed four loans totaling \$91,800 under this program.

Investment Test

The bank's \$234 thousand in qualified investments and donations is adequate. Qualified investment opportunities are limited in BBNB's AA since many projects in the area are funded by government programs and the competition for the limited low-income housing tax credits that are available is fierce. We based our conclusion on community contact information and the bank's documentation of its efforts to obtain qualified investments. The bank purchased \$630,000 in low-income housing tax credits in 1994, prior to the period of this examination. The investment is currently valued at \$175,000.

BBNB has made a total of ten new investments totaling \$57,000 during the review period. Please refer to **Appendix - Table 12, Qualified Investments**. This consisted of donations made to various nonprofit organizations that provide credit and housing counseling services to low- and moderate-income individuals and families, a low- and moderate-income housing development corporation, and low- and moderate-income housing service groups. BBNB donated five personal computers valued at \$1,000 to a community services group which provides credit, housing counseling, job training and placement to low- and moderate-income individuals.

Service Test

Retail Banking Services

BBNB's service delivery systems are reasonable accessible to geographies and individuals of different income levels. The bank operates 14 full service offices and one loan production office. The Automated Teller Machine (ATM) network of 15 machines includes three off-site facilities. The ATMs are accessible 24 hours a day, seven days a week. The off-site machines are located outside two convenience stores and a grocery store. All offices and ATMs are located in middle- and upper-income geographies. The loan production office is located in a branch on the outskirts of the city of Reading, where all of the bank's low- and moderate-income areas are located.

While BBNB has no branch or ATM locations in low- or moderate-income geographies, services do not vary in any way that would inconvenience low- and moderate-income individuals residing within the AA. Residents of the low- and moderate-income geographies of Reading can access BBNB's offices via public transportation. The bank's east Reading area office is the site of a Berks Area Transit Authority (BARTA) bus stop and the new west Reading area office is a five-minute walk to a BARTA stop. BARTA services the entire city of Reading and its suburbs. The **Appendix - Table 13,**

Distribution of Branch and ATM Delivery System identifies the distribution of the branch offices and ATMs.

As mentioned earlier, the bank opened one new branch and sold one branch to another financial institution. No branches have been closed since the last examination. The new branch is located in a senior citizen home and offers limited banking hours two days per week. The bank added its first low- and moderate-income geographies to its AA in April 1998, because management believed the bank could service these areas from its three offices on the outskirts of the City of Reading, and because of its intentions to expand further in this area. BBNB installed and activated two off-site ATMs during 1998. One of these ATMs is located at a discount grocery store in an area that is near several low- and moderate-income areas and reasonably convenient to these geographies.

The business hours offered at the branch offices vary and all offer extended evening hours at least one night per week, except for the branch office at the senior citizen home. Typical lobby hours range from 8AM to 4PM on Monday through Wednesday and 9AM to 8PM on Thursdays and Fridays. With the exception of the branch at the senior citizen home, all branches offer drive-up facilities, which are all open on Saturdays. Two of the branch offices offer Saturday hours in their lobbies from 9AM to noon. The branches located near the low- and moderate-income geographies also maintain late evening hours on Fridays.

BBNB offers alternative delivery systems in the form of a bank-by-mail program, a bank-by-phone program and on-line Internet banking. By mail, customers may make payments, deposits and transfers, open new accounts, and apply for and close consumer loans. Using the phone system, customers may make account inquiries, transfer funds, and initiate loan applications. The bank also maintains a 24-hour per day rate line for deposit and loan products. On the Internet, customers may open new accounts, pay bills, transfer funds between accounts, inquire about products and rates, and apply for loans. In evaluating the bank's services, no significant weight was given to these systems since the bank does not track how well these services reach low- and moderate-income people and geographies.

Community Development Services

BBNB offers an adequate level of community development services. Management continues to support various organizations throughout the communities that are served by the bank by offering financial and technical expertise to those groups.

One of the officers serves on the board of directors for an organization that supports and assists start-up small businesses. This officer played a leadership role in establishing the underwriting standards for the organization's loan pool, structuring the loan pool by determining the pro-rata shares of the financial contributors and performing the ongoing credit evaluations for the organization.

Another bank officer annually assists a local human relations council in the study of local lenders'

HMDA registers in order to aid a neighborhood housing authority in evaluating lending patterns in low- and moderate-income geographies and for low- and moderate-income individuals. The low- and moderate-income housing needs of the community are then assessed, as are the fair lending practices in the area.

Management regularly supplies speakers to a community-based non-profit organization that provides homeowner education seminars to potential low- and moderate-income first-time homebuyers. These seminars are offered at least once a year.

For the past sixteen years, the agricultural lending department of BBNB has offered a free one-day seminar on current farming issues to local farmers. This annual event features well known speakers on topics related to agriculture and small farm financing issues. Bank officers serve as panel members and speakers at this function.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Our fair lending review consisted of a test for discrimination based on marital status in the loan terms given to approved home purchase loan applicants from May 11, 1998 through July 23, 1998.

Lancaster MSA (MSA #4000)

Performance Conclusion

BBNB's performance in this MSA is consistent with its performance in the combined AA.

Lending Test

Lending Volume

The vast majority or 72% of the bank's loans are made in this MSA. Please refer to Table 1 in the **Appendix** for full details.

Borrower Characteristics

Home Purchase Loans

BBNB has an excellent market share of home purchase loans to both low- and moderate-income borrowers. The bank realized a 2.61% share of the low-income borrower market, and a 3.21% share of the moderate-income borrower market compared to a 2.11% overall market share. The bank's market share of the middle-income borrower market was 1.87%. Its share of the upper-income market was 1.72%.

BBNB also had an excellent distribution of home purchase loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 28% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed 7% of its loans to low-income families compared to a 12% distribution of low-income families. This was good compared to the 5% loan distribution of the average lender to low-income families.

Please refer to Table 7 in the **Appendix** for more information on the bank's home purchase loans in this MSA.

Home Improvement Loans

BBNB has an excellent market share of home improvement loans to moderate-income borrowers and an adequate market share of loans to low-income borrowers. The bank realized a 3.70% share of the moderate-income borrower market, and a 1.92% share of the low-income borrower market compared to 2.80% overall market share. The bank's market share of the middle-income borrower market was 2.43%. Its share of the upper-income market was 2.95%.

BBNB also had an excellent distribution of home improvement loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 18% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed 6% of its loans to low-income families compared to a 12% distribution of low-income families. This was adequate when compared to the 8% distribution of loans made by the average lender to low-income families.

Please refer to Table 8 in the **Appendix** for more information on home improvement loans made in this MSA.

Refinance Loans

BBNB has an excellent market share of refinance loans to moderate-income borrowers and a poor market share of loans to low-income borrowers. The bank realized a 2.71% share of the moderate-income borrower market, and a .55% share of the low-income borrower market compared to 1.88% overall market share. The bank's market share of the middle-income borrower market was 1.60%. Its share of the upper-income market was 2.17%.

BBNB also had an excellent distribution of refinance loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 20% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed 2% of its loans to low-income families compared to a 12% distribution of low-income families. This was poor when compared to the 5% distribution of loans by the average lender.

Please refer to Table 9 in the **Appendix** for more information on refinance loans made in this MSA.

Small Business Lending

BBNB has an excellent distribution of loans to small size businesses, and a good distribution of small size loans, i.e., loans for less than \$100,000. BBNB made 67% of its loans to small size businesses compared to the 50% average for all lenders in the market. In 1997, the bank realized a 11.86% market share of loans to businesses with annual revenues of \$1 million or less compared to a 8.07% market share of all small business loans. Small businesses represent 74% of all businesses operating in the area.

A substantial majority of BBNB's small business loans were for amounts less than \$100,000. Seventy-six percent of the bank's loans were for \$100,000 or less. The need for small size business loans was a credit need mentioned by one of our community contacts.

Please refer to Table 10 in the **Appendix** for information on small business loans.

Small Farm Lending

BBNB has an excellent distribution of loans to small size farms, and an excellent distribution of small size loans, i.e., loans for less than \$100,000. BBNB made 95% of its loans to small size farms compared to the 94% average for all lenders in the market. In 1997, the bank realized a 15.99% market share of loans to farms with annual revenues of \$1 million or less compared to a 15.39% market share of all small farm loans. Small farms represent 90% of all farms operating in the area.

The vast majority of BBNB's small farm loans were for amounts less than \$100,000. Ninety-one percent of the bank's loans were for \$100,000 or less.

Please refer to Table 11 in the **Appendix** for more information on small farm loans.

Geographic Distribution

An analysis of the geographic distribution of loans is not relevant in this MSA since there are no low- or moderate-income geographies in the MSA.

Community Development Lending

The two community development loans were made in this MSA. Please refer to the **Community Development Lending** section of this Evaluation for the combined AA, for further details.

Innovative or Flexible Lending Practices

All of the products discussed earlier under the Innovative or Flexible Lending Practices for the combined AA are applicable in this AA. Please refer to that section of the Evaluation for further details.

Investment Test

The equity investment with tax credit previously described in the bank's overall **Investment Test** is in this MSA. Qualified donations totaled \$48,000 in this area. Please refer to **Appendix - Table 12, Qualified Investments** for additional information.

Service Test

Retail Banking Services

The retail banking services offered in this MSA are consistent with services offered by the entire bank. BBNB operates nine of its branches and ten ATMs in this MSA. Please refer to the comments

regarding the **Service Test** performance for the overall bank for additional information.

Community Development Services

Only two of the bank's community development services apply to this MSA. Those services include the support to the organization that assists start-up businesses and the agriculture seminars. Please refer to the comments regarding the **Service Test** performance for the overall bank for additional information.

Reading MSA (MSA #6680)

Performance Conclusion

BBNB's performance in this MSA is not consistent with its performance in the combined AA for the Borrower Characteristics portion of the Lending Test. However, this did not change the bank's overall CRA rating. The performance in the other areas of the Lending Test, the Investment and Service Tests was consistent with the overall bank performance.

Lending Test

Lending Volume

The bank made 17% of its loans in this MSA, making it the MSA with the second highest volume of loans out of the three MSAs in which the bank operates.

Please refer to Table 1 in the **Appendix** for full details.

Borrower Characteristics

Home Purchase Loans

BBNB had an adequate market share of home purchase loans to low-income borrowers and a poor market share of loans to moderate-income borrowers. The bank realized a .32% share of the low-income borrower market, and a .12% share of the moderate-income borrower market compared to a .49% overall market share. The bank's market share of the middle-income borrower market was .53%. Its share of the upper-income market was .75%.

BBNB had a poor distribution of home purchase loans to moderate-income borrowers compared to the distribution moderate-income families. The bank made 7% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. The average lender distributed 23% of its loans to moderate-income borrowers. It distributed 7% of its loans to low-income families compared to

a 17% distribution of low-income families. This is adequate when compared to the 9% loan distribution of the average lender to low-income families.

Please refer to Table 7 in the **Appendix** for more information on the bank's home purchase loans in this MSA.

Home Improvement Loans

BBNB has an excellent market share of home improvement loans to moderate-income borrowers and a poor market share of loans to low-income borrowers. The bank realized a 1.20% share of the moderate-income borrower market, and a 0% share of the low-income borrower market compared to its 1.01% overall market share. The bank's market share of the middle-income borrower market was 1.36%. Its share of the upper-income market was 1.08%.

BBNB also had an excellent distribution of home improvement loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 22% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed only 3% of its loans to low-income families compared to a 17% distribution of low-income families. This was poor when compared to the 15% distribution of loans made by the average lender to low-income families.

Please refer to Table 8 in the **Appendix** for more information on home improvement loans made in this MSA.

Refinance Loans

BBNB has an adequate market share of refinance loans to low- and moderate-income borrowers. The bank realized a .55% share of the moderate-income borrower market, and a .51% share of the low-income borrower market compared to .84% overall market share. The bank's market share of the middle-income borrower market was .88%. Its share of the upper-income market was 1.11%.

BBNB also had an adequate distribution of refinance loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 11% of its loans to moderate-income borrowers compared to a 19% distribution of moderate-income families. It distributed 1% of its loans to low-income families compared to a 17% distribution of low-income families. This was poor when compared to the 8% distribution of loans made by the average lender to low-income families.

Please refer to Table 9 in the **Appendix** for more information on refinance loans made in this MSA.

Small Business Lending

BBNB has an excellent distribution of loans to small size businesses, and a reasonable distribution of

small size loans, i.e., loans for less than \$100,000. BBNB made 60% of its loans to small size businesses compared to the 50% average for all lenders in the market. In 1997 the bank realized a 5.62% market share of loans to businesses with annual revenues of \$1 million or less compared to a 4.41% market share of all small business loans. Small businesses represent 72% of all businesses operating in the area.

The majority of BBNB's small business loans were for amounts less than \$100,000. Sixty seven percent of the bank's loans were for \$100,000 or less. The need for small size business loans was a credit need mentioned by one of our community contacts.

Please refer to Table 10 in the **Appendix** for information on small business loans.

Small Farm Lending

BBNB has an excellent distribution of loans to small size farms, and an excellent distribution of small size loans, i.e., loans for less than \$100,000. BBNB made 100% of its loans to small size farms compared to the 93% average for all lenders in the market. In 1997, the bank realized a 10.44% market share of loans to farms with annual revenues of \$1 million or less compared to a 9.74% market share of all small farm loans. Small farms represent 87% of all farms operating in the area.

The vast majority of BBNB's small farm loans were for amounts less than \$100,000. Ninety percent of the bank's loans were for \$100,000 or less.

Please refer to Table 11 in the **Appendix** for more information on small farm loans.

Geographic Distribution

Lending Gap Analysis

There were no conspicuous or inappropriate gaps found in BBNB's geographic loan distribution. As mentioned earlier in this Evaluation under the **Description of the Assessment Areas**, BBNB had no low- or moderate-income geographies in this AA until April 1998. All of the market share numbers shown in this section are for 1997 only, prior to the bank redefining its AA. The loan distribution percentages comprise the total activity for 1997 and 1998.

Home Purchase Loans

BBNB has an adequate distribution of home purchase loans to low- and moderate-income geographies. The bank realized a 2.04% share of the low-income geography market, and a 0% share of the moderate-income geography market compared to an overall market share of .49%. The bank's market share of the middle-income borrower market was .47%. Its share of the upper-income market was .61%. It should be noted that this AA did not include any low or moderate-income

geographies until April 1998.

BBNB distributed less than 1% of its loans to low-income geographies, which account for 2% of the owner occupied housing in the AA. BBNB distributed 5% of its loans to moderate-income geographies where 12% of the AAs owner-occupied housing is located.

Please refer to Table 2 in the **Appendix** for more information on the geographic distribution of home purchase loans.

Home Improvement Loans

BBNB had a poor distribution of home improvement loans in low- and moderate-income geographies. The bank made no home improvement loans to low-income geographies, which account for 2% of the owner occupied housing in the AA, or to moderate-income geographies where 12% of the AAs owner-occupied housing is located.

The bank realized an overall market share of 1.01%. The bank's market share of the middle-income borrower market was 1.40%. Its share of the upper-income market was only .47%.

Please refer to Table 3 in the **Appendix** for more information on the geographic distribution of home improvement loans.

Refinance Loans

BBNB had a good distribution of refinance loans to moderate-income geographies, and an adequate distribution of loans to low-income geographies. The bank realized a 1.24% share of the moderate-income geography market, and a 0% share of the low-income geography market compared to an overall market share of .84%. The bank's market share of the middle-income borrower market was 1.08%. Its share of the upper-income market was only .16%. It should be noted that this AA did not include any low or moderate-income geographies until April 1998.

BBNB distributed 7% of its loans to moderate-income geographies, where 12% of the AAs owner occupied housing is located. The average lender distributed 10% of its loans to moderate-income geographies. It distributed less than 1% of its loans to low-income geographies, where only 2% of the AAs owner-occupied housing is located.

Please refer to Table 4 in the **Appendix** for more information on the geographic distribution of refinance loans.

Small Business Loans

BBNB has an adequate distribution of small business loans to low- and moderate-income geographies.

The bank realized a 1.83% market share of the low-income geography market, and a 3.51% share of the moderate-income geography market compared to a 4.41% overall market share. It realized a 4.65% share of the middle-income and 4.46% share of the upper-income geography market.

BBNB distributed 8% of its loans to moderate-income geographies, where 15% of the AAs businesses are located. It distributed less than 2% of its loans to low-income geographies, where only 5% of the AAs businesses are located.

Small Farm Loans

The bank made no small farm loans in low- or moderate-income geographies. There are no farms located in low-income geographies, and only eight or 4% of the AAs farms are located in moderate-income geographies. There were no farm loans made by any lender in the moderate-income geographies during 1997.

Community Development Lending

Neither of the two community development loans were made in this MSA. Please refer to the **Community Development Lending** section of this Evaluation for the combined AA for further details.

Innovative or Flexible Lending Practices

All of the products discussed earlier under the Innovative or Flexible Lending Practices for the combined AA are applicable in this AA. Please refer to that section of the Evaluation for further details.

Investment Test

Qualified donations totaled \$5,000 in this MSA. Please refer to **Appendix - Table 12, Qualified Investments** for additional information.

Service Test

Retail Banking Services

The retail banking services offered in this MSA are consistent with services offered by the entire bank. BBNB operates three of its branches and four ATMs in this MSA, which includes all of the low- and moderate-income geographies in the combined AA. Please refer to the comments regarding the **Service Test** performance for the overall bank for additional information.

Community Development Services

Three of the bank's community development services apply to this MSA. Those services include the support to the organization that provides homeowner education seminars, the council that assists in evaluating housing needs and fair lending practices and the agriculture seminars. Please refer to the comments regarding the **Service Test** performance for the overall bank for additional information.

Philadelphia MSA (MSA #6160)

Performance Conclusion

BBNB's performance in this MSA is consistent with its performance in the combined AA.

Lending Test

Lending Volume

The bank made 11% of its loans in this MSA, representing the lowest loan volume in the three MSAs. Please refer to Table 1 in the **Appendix** for full details.

Borrower Characteristics

Home Purchase Loans

BBNB has an excellent market share of home purchase loans to both low- and moderate-income and borrowers. The bank realized a 1.28% share of the low-income borrower market and a 1.46% share of the moderate-income borrower market, compared to a .93% overall market share. The bank's market share of the middle-income borrower market was 1.23%. Its share of the upper-income market was only .56%.

BBNB also had an excellent distribution of home purchase loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 26% of its loans to moderate-income borrowers compared to a 18% distribution of moderate-income families. It distributed 9% of its loans to low-income families compared to a 14% distribution of low-income families. This was excellent compared to the 5% loan distribution of the average lender to low-income families.

Please refer to Table 7 in the **Appendix** for more information on the bank's home purchase loans in this MSA.

Home Improvement Loans

BBNB has an excellent market share of home improvement loans to low- and moderate-income borrowers. The bank realized a 2.56% share of the low-income borrower market, and a 2.14% share of the moderate-income borrower market compared to 1.54% overall market share. The bank's market share of the middle-income borrower market was 1.28%. Its share of the upper-income market was 1.26%.

BBNB also had an excellent distribution of home improvement loans to borrowers of low- and moderate-income compared to the distribution of low- and moderate-income families. The bank made 27% of its loans to moderate-income borrowers compared to a 18% distribution of moderate-income families. It distributed 14% of its loans to low-income families compared to a 14% distribution of low-income families.

Please refer to Table 8 in the **Appendix** for more information on home improvement loans made in this MSA.

Refinance Loans

BBNB has an excellent market share of refinance loans to low- and moderate-income borrowers. The bank realized a 1.92% share of the low-income borrower market, and a 1.52% share of the moderate-income borrower market compared to an .84% overall market share. The bank's market share of the middle-income borrower market was 1.00%. Its share of the upper-income market was .43%.

BBNB also had an excellent distribution of refinance loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 32% of its loans to moderate-income borrowers compared to an 18% distribution of moderate-income families. It distributed 5% of its loans to low-income families compared to a 14% distribution of low-income families. This was good when compared to the 5% distribution of loans by the average lender to low-income families.

Please refer to Table 9 in the **Appendix** for more information on refinance loans made in this MSA.

Small Business Lending

BBNB has an excellent distribution of loans to small size businesses, and a good distribution of small size loans, i.e., loans for less than \$100,000. BBNB made 71% of its loans to small size businesses compared to the 50% average for all lenders in the market. In 1997, the bank realized a 1.98% market share of loans to businesses with annual revenues of \$1 million or less compared to a 1.03% market share of all small business loans. Small businesses represent 78% of all businesses operating in the area.

A substantial majority of BBNB's small business loans were for amounts less than \$100,000. Eighty two percent of the bank's loans were for \$100,000 or less. The need for small size business loans was a credit need mentioned by one of our community contacts.

Please refer to Table 10 in the **Appendix** for information on small business loans.

Small Farm Lending

BBNB has an excellent distribution of loans to small size farms, and an excellent distribution of small size loans, i.e., loans for less than \$100,000. BBNB made 99% of its loans to small size farms compared to the 99% average for all lenders in the market. In 1997, the bank realized a 41.35% market share of loans to farms with annual revenues of \$1 million or less compared to a 38.62% market share of all small farm loans. Small farms represent 93% of all farms operating in the area.

The vast majority of BBNB's small farm loans were for amounts less than \$100,000. Ninety-five percent of the bank's loans were for \$100,000 or less.

Please refer to Table 11 in the **Appendix** for more information on small farm loans.

Geographic Distribution

An analysis of the geographic distribution of loans is not relevant in this MSA since there are no low- or moderate-income geographies in the MSA.

Community Development Lending

Neither of the two community development loans were made in this MSA. Please refer to the **Community Development Lending** section of this Evaluation for the combined AA for further details.

Innovative or Flexible Lending Practices

All of the products discussed earlier under the Innovative or Flexible Lending Practices for the combined AA are applicable in this AA. Please refer to that section of the Evaluation for further details.

Investment Test

Qualified donations totaled \$4,000 in this MSA. Please refer to **Appendix - Table 12, Qualified Investments** for additional information.

Service Test

Retail Banking Services

The retail banking services offered in this MSA are consistent with services offered by the entire bank. BBNB operates two of its branches and one ATM in this MSA. Please refer to the comments regarding the **Service Test** performance for the overall bank for additional information.

Community Development Services

Only one of the bank's community development services applies to this MSA. The agriculture seminars benefit small farmers in this area. Please refer to the comments regarding the **Service Test** performance for the overall

Appendix

Scope of Examination

The table below lists the scope of the examination. Specifically, it lists the lending products reviewed, the branches visited, and the time period covered in the review.

Scope of Examination			
Time Period Reviewed	The time period beginning 1/1/97 through 12/31/98		
Financial institution Blue Ball National Bank Blue Ball, PA 17506	Products Reviewed Home purchase, home improvement and refinance loans reported on the HMDA LAR, and small business, small farm and community development loans reported on the Small Business/Small Farm Register.		
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
The assessment area consists of portions of three MSAs -Lancaster PA (4000), Reading PA (6680) and Philadelphia PA (6160).	On-site	Main Office	See A Description of Assessment Area [@]

Table of Contents to Appendix B
Appendix Information

Table #	Title	Included in Appendix	Not Applicable
1	Lending Volume	X	
2	Geographic Distribution of Home Purchase Loan Originations	X	
3	Geographic Distribution of Home Improvement Loan Originations	X	
4	Geographic Distribution of Home Mortgage Refinance Loan Originations	X	
5	Geographic Distribution of Small Business Loan Originations	X	
6	Geographic Distribution of Small Farm Loan Originations	X	
7	Borrower Distribution of Home Purchase Loan Originations	X	
8	Borrower Distribution of Home Improvement Loan Originations	X	
9	Borrower Distribution of Home Mortgage Refinance Loan Originations	X	
10	Borrower Distribution of Small Business Loan Originations	X	
11	Borrower Distribution of Small Farm Loan Originations	X	
12	Qualified Investments	X	
13	Distribution of Branch and ATM Delivery System	X	

Table 1. Lending Volume

Charter Number: 8421

LENDING VOLUME State: Pennsylvania Evaluation Period: January 1, 1997,to December 31, 1998												
MSA /Assessment Area	% of Total bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farms		Community Development		Total Reported Loans		% of Total reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Scope:												
4000- Lancaster MSA	69	583	46,509	759	72,324	368	14,038	2	10	1,712	132,871	72.02
6680- Reading MSA	24	174	13,146	213	28,824	20	896	0	0	407	42,866	17.12
6160-Philadelphia	7	94	8,613	87	7,647	77	2,161	0	0	258	18,421	10.86
Limited Scope:												

Table 2. Geographic Distribution of Home Purchase Loan Originations

Charter Number: 8421

Geographic Distribution: HOME PURCHASE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
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	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	0	0	0	0	88	98	12	2	17	2.11	0	0	2.45	.28	217	73
6680 - Reading MSA	2	1	12	5	68	77	25	17	33	.49	2.04	0**	.47	.61	44	15
6160 - Philadelphia MSA	0	0	0	0	67	97	33	3	33	.93	0	0	1.55	0	34	12
Limited Scope:																

(*) Based on 1997 Aggregate HMDA Data only.

(**) The bank did not include any moderate-income geographies in this AA until April 1998.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Charter number: 8421

Geographic Distribution: HOME IMPROVEMENT State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
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	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	0	0	0	0	88	99	12	1	10	2.80	0	0	3.07	.49	101	62
6680 - Reading MSA	2	0	12	0	62	85	24	15	17	1.01	0	0	1.40	.47	40	25
6160 - Philadelphia MSA	0	0	0	0	67	86	33	14	16	1.54	0	0	2.01	.44	22	13
Limited Scope:																

(*). Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
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	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	0	0	0	0	88	93	12	7	11	1.88	0	0	2.06	.79	265	67
6680 - Reading MSA	2	1	12	7	62	79	24	13	28	.84	0	1.24	1.08	.16	90	23
6160 - Philadelphia MSA	0	0	0	0	67	76	33	24	40	.84	0	0	1.14	.27	38	10
Limited Scope:																

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Charter Number: 8421

Geographic Distribution: SMALL BUSINESS State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
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	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	0	0	0	0	88	93	12	7	5	8.07	0	0	8.93	4.88	759	71.67
6680 - Reading MSA	5	2	15	8	56	72	24	19	8	4.41	1.83	3.51	4.65	4.46	213	20.11
6160 - Philadelphia MSA	0	0	0	0	66	86	34	14	19	1.03	0	0	3.10	0.25	87	8.22
Limited Scope:																

(*) Based on 1997 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Charter Number: 8421

Geographic Distribution: SMALL FARM State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	0	0	0	0	90	100	10	0	4	15.39	0	0	15.78	0	368	79.14
6680 - Reading MSA	0	0	4	0	85	100	11	0	3	9.74	0	0	9.79	0	20	4.30
6160 - Philadelphia MSA	0	0	0	0	66	96	34	4	1	38.62	0	0	45.38	14.29	77	16.56
Limited Scope:																

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Charter Number: 8421

Borrower Distribution: HMDA HOME PURCHASE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
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	% BANK Loans	% of Families	% BANK Loans	% of Families	% BANK Loans	% of Families	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	12	7	19	28	30	33	39	32	17	2.11	2.61	3.21	1.87	1.72	217	73
6680 - Reading MSA	17	7	19	7	27	32	37	54	33	.49	.32	.12	.53	.75	44	15
6160 - Philadelphia MSA	14	9	18	26	27	38	41	27	33	.93	1.28	1.46	1.23	.56	34	12
Limited Scope:																

(**) Based on 1997 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Charter Number: 8421

Borrower Distribution: HOME IMPROVEMENT State: Pennsylvania Evaluation Period: January, 1997 to December 31, 1998																
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	% BANK Loans	% of Families	% BANK Loans	% of Families	% BANK Loans	% of Families	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	12	6	19	18	30	29	39	47	10	2.80	1.92	3.70	2.43	2.95	101	62
6680 - Reading MSA	17	3	19	22	27	40	37	35	17	1.01	0**	1.20	1.36	1.08	40	15
6160 - Philadelphia MSA	14	14	18	27	27	32	41	27	16	1.54	2.56	2.14	1.28	1.26	22	13
Limited Scope:																

(*) Based on 1997 Aggregate HMDA Data only.
 (**) All of the bank's loans to low-income borrowers were made in 1998.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Charter Number: 8421

Borrower Distribution: HOME MORTGAGE REFINANCE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
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 Mortgage Refinance Loans	
	% of Families	% BANK Loans	% of Families	% BANK Loans	% of Families	% BANK Loans	% of Families	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
4000 - Lancaster MSA	12	2	19	20	30	31	39	47	11	1.88	.55	2.71	1.60	2.17	265	67
6680 - Reading MSA	17	1	19	11	27	27	37	61	28	.84	.51	.55	.88	1.11	90	23
6160 - Philadelphia MSA	14	5	18	32	27	26	41	37	40	.84	1.92	1.52	1.00	.43	38	10
Limited Scope:																

(**) Based on 1997 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Charter Number: 8421

Borrower Distribution: SMALL BUSINESS State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998											
MSA /Assessment Area	Business with Revenues of \$1 million or less			Loans by Original Amount regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full Scope:											
4000 - Lancaster MSA	73.86	66.80	50.36	75.63	14.49	9.88	8.07	11.86	759	71.67	95,289
6680 - Reading MSA	71.70	60.09	50.37	67.14	18.31	14.55	4.41	5.62	213	20.11	135,324
6160 - Philadelphia	77.70	71.26	50.39	81.61	12.64	5.75	1.03	1.98	87	8.22	87,897
Limited Scope:											

(*) As a percentage of all businesses.
 (**) As a percentage of the bank's total small business loans.
 (***) The market consists of all Small Business reporters in BBNB's assessment area and is based on 1997 Aggregate Small Business Data only.
 (****) Based on 1997 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Charter Number: 8421

Borrower Distribution: SMALL FARM State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998											
MSA /Assessment Area	Farm with Revenues of \$1 million or less			Loans by Original Amount regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full Scope:											
4000 - Lancaster MSA	90.45	95.38	94.27	91.30	7.61	1.09	15.39	15.99	368	79.14	38,147
6680 - Reading MSA	87.44	100.00	92.59	90.00	5.00	5.00	9.74	10.44	20	4.30	44,800
6160 - Philadelphia MSA	92.96	98.70	98.99	94.81	5.19	0	38.62	41.35	77	16.56	28,065
Limited Scope:											

(*) As a percentage of all Farms.

(**) As a percentage of all of the bank’s small farm loans.

(***) The market consists of all other Small Farm reporters in BBNB’s assessment area and is based on 1997 Aggregate Small Farm Data only.

(****) Based on 1997 Aggregate Small Farm Data only.

Table 12. Qualified Investments

Charter Number: 8421

QUALIFIED INVESTMENTS State: Pennsylvania Evaluation Period: July 24, 1997 to June 7, 1999									
MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full Scope:									
4000 - Lancaster MSA	1	175	100	6	48	84	7	223	96
6680 - Reading MSA	0	0	0	2	5	9	2	5	2
6160 - Philadelphia MSA	0	0	0	2	4	7	2	4	2
Limited Scope:									

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

Charter Number: 8421

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM State: Pennsylvania Evaluation Period: July 24, 1997 to June 7, 1999																	
MSA /Assessment Area	Deposit s	Branches						ATMs						Population			
	% of Total BANK Deposit s *	# of BANK Branch es	% of Total BANK Branch es	Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Scope:																	
4000 - Lancaster MSA	69	9	64	0	0	89	11	10	67	0	0	90	10	0	0	89	11
6680 - Reading MSA	24	3	22	0	0	67	33	4	27	0	0	75	25	5	16	58	21
6160 - Philadelphia MSA	7	2	14	0	0	100	0	1	6	0	0	100	0	0	0	70	30
Limited Scope:																	

(*) FDIC data as of June 30, 1998.