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Administrator of National Banks

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Public Disclosure

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Community Reinvestment Act Performance Evaluation

**Phillipsburg National Bank
Charter No. 1239
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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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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 **Phillipsburg National Bank, Phillipsburg, New Jersey** prepared by the **Office of the Comptroller of the Currency** the institution's supervisory agency, as of **(Date to be entered)**. 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 the 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 Satisfactory.

Primary factors supporting the bank's overall rating include:

- ▶ an excellent responsiveness to the credit needs within the assessment area;
- ▶ a substantial majority of loans were originated within the assessment area;
- ▶ a very good distribution of loans among the various census tracts within the assessment area;
- ▶ a very good distribution of loans among borrowers of different income levels and businesses of different sizes;
- ▶ an adequate level of qualified investments;
- ▶ delivery systems are reasonably accessible to all portions of the assessment areas, and,
- ▶ providing a good level of community development services.

The following table indicates the performance level of **Phillipsburg National Bank** with respect to the lending, investment, and service tests.

Performance Levels	Phillipsburg National Bank Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding	X		
High satisfactory			X
Low satisfactory		X	
Needs to improve			
Substantial noncompliance			

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

Description of Institution

Phillipsburg National Bank (“PNB”) is a wholly owned subsidiary of Vista Bancorp, Inc. (Vista), headquartered in Phillipsburg, New Jersey. Vista was formed in 1988 and has another wholly owned subsidiary, Twin Rivers Community Bank (TRCB), a state chartered bank headquartered in Easton, Pennsylvania, which overlaps part of PNB’s assessment area. PNB has a wholly owned subsidiary, Phillipsburg Investment Incorporated, which holds some of the bank’s investment securities.

As of June 30, 1997 total bank assets were \$398 million, including loans \$221 million, investments \$149 million, and total deposits of \$351 million. The majority of loans (81%) are real estate related credits. Approximately seventy five percent of these loans are one to four family residential loans. Consumer related credits comprise 14% and commercial loans 5% of the total portfolio.

The Town of Phillipsburg, where the bank’s main office and consumer loan center are located, was declared an Urban Enterprise Zone (UEZ) in November 1994 in order to stimulate economic development in the downtown business district. Approximately 22.5% of the commercial space in the downtown business district is vacant. As a UEZ, retailers are allowed to charge sales tax at three percent, which remains in the town. The UEZ has accumulated approximately \$600,000 to date to be used for projects to aid in attracting businesses. There are no legal or financial impediments which would impact upon the bank’s ability to meet the credit needs of its assessment area.

Competition is moderate and ranges from small community banks and credit unions to large regional and multinational banks. PNB operates eight branches in Warren County and two branches in Hunterdon County. Since the prior evaluation, two branches were opened, one in Warren County in December 1995 and one in Hunterdon County in December 1996. The branches offer full services, drive-up/walk-up facilities, including eight locations having ATM access. Additionally, the bank is located near the Pennsylvania border and derives a substantial portion of its lending from Northampton County, which includes the city of Easton, in Pennsylvania.

Description of Assessment Area (AA)

PNB has defined a single AA which meets regulatory guidelines and does not arbitrarily exclude any low-and-moderate income areas (“LMI”). LMI is referred throughout this document to describe low-and-moderate income individuals and geographies (census tracts). The single assessment area includes all of Warren County in the Newark MSA - 5640 and all of Hunterdon County in the Middlesex-Somerset MSA -5015, which are part of the New York-New Jersey CMSA, and all of Northampton County in the Allentown-Bethlehem-Easton MSA - 0240. The three counties are contiguous. There is a total of 108 census tracts and a population of 446,488 persons.

As noted in the table below, the majority of the tracts (68%) are middle income. The two low income census tracts are located in the Allentown-Bethlehem-Easton MSA. The percentage of owner occupied housing in these two tracts is less than one percent of the total. Lehigh University is situated in one of these tracts and results in only forty-three housing units being located there. A major industrial complex is situated in the second low-income tract and also results in a limited number of housing units. Another major economic factor impacting the bank’s opportunity to make HMDA loans in the low income geographies is the poverty level. Based on census data, 40% of the households in the low income geographies are below the poverty level, which significantly reduces the number of lendable households in these geographies.

Assessment Area Demographics			
# Census Tracts	% of Total Tracts	Designation	% of Families in Inc.Category
2	2	Low	16
11	10	Moderate	19
74	68	Middle	27
17	16	Upper	38
4	4	Income Not Avail.	-
108	100	Totals	100

Median housing values vary widely in the AA and are high relative to median family incomes. The following table indicates the average median housing and median family income for each of the

MSAs in the AA. The purchase of a home, especially in the Middlesex-Somerset MSA, is beyond the capacity of many LMI individuals, even with available financing.

Median Housing Values and Median Family Incomes by MSA		
	Median Housing Value	Median Family Income
Newark MSA-5640 (Warren County)	143,263	50,047
Middlesex-Somerset MSA-5015 (Hunterdon County)	214,159	55,147
Allentown-Bethlehem-Easton MSA-0240 (Northampton County)	105,408	37,523

Available information on businesses in the AA reflects a total of 14,449 businesses, including 11,085 (77%) small businesses. The AA has 551 farms, including 501 (91%) small farms. Services, retail trade and construction are the major types of industries.

Identified credit needs of the area include 1-4 family residential mortgage and micro business loans and were determined through two community contacts. Ancillary to these credit needs is the need for credit education and assistance in applying for business credit.

Demographic information presented above and throughout this disclosure is based on information obtained from the U.S. Census Bureau and Dun and Bradstreet, Inc.

Conclusions with Respect to Performance Tests

Scope of Review:

This review covered the time period from July 1, 1995 to August 31, 1997. All Home Mortgage Disclosure Act (“HMDA”) related loans originated during the review period were evaluated. Additionally, small business and community development lending for the period January 1, 1996 to August 31, 1997 was also evaluated. The loan review was assisted by bank management’s compilation of data as required by the regulation. Also, investments purchased, sold, and matured and services initiated over the time period were reviewed. A \$500,000 investment of the bank’s affiliate, Twin Rivers Community Bank, was considered in this evaluation.

LENDING TEST

Performance Criteria

Between July 1, 1995 and June 30, 1997, PNB’s loan to deposit ratio averaged 62% over the eight quarter period. This ratio was slightly above the average ratio (60%) of several reasonably comparable banks located within New Jersey. During this period, the bank purchased a branch and acquired the deposits, but not the loans.

For the entire review period, an average of 96% of the number of HMDA related and small

business loans originated were within the AA. This correlates to an average of 94% of the total dollar amount of the same types of loans being originated within the AA.

Additionally, based on 1996 aggregate HMDA data, the bank's market share of 19% in lending to moderate income geographies in its AA significantly exceeded its overall market share of 3.4%, which further evidences the bank's responsiveness to meeting the credit needs of its AA.

Ratio of HMDA and Small Business Loans - Consolidated Period -July 1, 1995 to August 31, 1997			
	HMDA	Small Business	Totals
Number of Loans in AA	823	266	1,089
Total # of Loans	867	273	1,140
% of Loans Inside AA/ Total # of Loans	95%	97%	96%
Dollars (\$000)			
\$ Amt of Loans in AA	48,147	24,832	72,979
Total \$ Amt of Loans	52,481	25,255	77,736
% of \$ Amt of Loans/ Total \$ Amt of Loans	92%	98%	94%

Ratio of HMDA Loans - July 1, 1995 to December 31, 1995	
Number of Loans in AA	187
Total # of Loans	192
% of Loans Inside AA/ Total # of Loans	97%
Dollars (\$000)	
\$ Amt of Loans in AA	10,570
Total \$ Amt of Loans	10,929
% of \$ Amt Loans/ Total \$ Amt Loans	97%

Ratio of HMDA and Small Business/Small Farm Loans - 1996			
	HMDA	Small Business/Small Farm	Totals
Number of Loans in AA	442	179	621
Total # of Loans	460	183	643

% of Loans Inside AA/ Total # of Loans	96%	98%	97%
Dollars (\$000)			
\$ Amt of Loans in AA	27,518	16,624	44,142
Total \$ Amt of Loans	29,190	17,001	46,191
% of \$ Amt of Loans in AA	94%	98%	96%

Ratio of HMDA and Small Business/Small Farm Loans - January 1, 1997 to August 31, 1997			
	HMDA	Small Business/Small Farm	Totals
Number of Loans in AA	194	87	281
Total # of Loans	215	90	305
% of Loans Inside AA/ Total # of Loans	90%	97%	92%
Dollars (\$000)			
\$ Amt of Loans in AA	10,059	8,208	18,267
Total \$ Amt of Loans	12,362	8,254	20,616
% of \$ Amt of Loans in AA	81%	99%	89%

Geographic Distribution

Home Mortgage Lending

A review of the geographic distribution of HMDA loans reflects excellent penetration throughout the AA. The average level of loan activity (26%) in the moderate tracts in relation to the number of moderate tracts for the area (12%) is very good when considering the percentage of owner occupied housing in these tracts. Owner occupied housing in low income tracts is less than 1% and is 6% in moderate income tracts. Additionally, based on 1996 aggregate HMDA data, PNB had a 19% market share and ranked first of 131 lenders in loans originated within moderate income geographies in its AA. The next closest bank was a large regional, with a 5.78% market share. The lack of lending within low income tracts is attributed to both the poverty level of the tracts and the limited number of housing units.

Geographic Distribution of HMDA Loans Within Assessment Area				
	% of Loans by Income Level of Census Tract (HMDA Loans)		% of Census Tracts in AA	% of Owner Occupied House- holds in AA

Income Level	7/1/95 to 12/31/95	1996	1/197 to 8/31/97	1996 Aggregate HMDA-All lenders in AA		
Low	0	0	0	*	2	*
Moderate	21	31	26	6	10	6
Middle	51	56	58	67	68	70
Upper	28	13	16	27	16	24
NA	-	-	-	-	4	-
Total	100	100	100	100	100	100

(*) Less than 1%

Small Business Lending:

The tables that follow reflect the bank's performance is good when compared to the percentage of LMI census tracts within the AA and the percentage of small businesses in each tract. Eight percent of the total small businesses within the bank's AA are in moderate income tracts. PNB originated an average of 35% of the number of small business loans and 36% of dollar amount within moderate census tracts. No comparison is made for 1997 due to the lack of demographic data.

Small Business Lending by Census Tracts in Assessment Area - 1996						
Income Level	# Loans	%	\$ Amt (000)	%	# of Small Businesses	%
Low	0	0	0	0	67	*
Moderate	62	35	5,922	36	930	8
Middle	107	59	9,067	54	8,014	73
Upper	10	6	1,635	10	2,074	19
Totals	179	100	16,624	100	11,085	100

* Less than 1%

Small Business Lending by Census Tracts in Assessment Area - 1/1/97-8/31/97				
Income Level	# Loans	%	\$ Amt (000)	%
Low	0	0	0	0

Moderate	24	28	3,051	37
Middle	62	71	4,957	60
Upper	1	1	200	3
Totals	87	100	8,208	100

Source: Bank Data Collection Report - Small Business loans based upon Call Report definition

Borrowers' Profile

Home Mortgage Loans

The level of HMDA related loans to persons of varying income levels is very good. As stated in the table below, an average of 35% of the number of all mortgage related retail loans originated during the review period were to LMI borrowers. Overall, 35% of all the families located within the AA have incomes that would classify them as low or moderate. Additionally, an upward trend in the percent of loans to LMI individuals is evident. For year-to-date 1997, 41% of the loans were to LMI individuals. The remainder of the loans are reasonably distributed throughout the AA. Additionally, based on 1996 aggregate HMDA data, PNB's market share of lending to low and moderate income individuals was 7.5% and 3.8%, respectively compared to PNB's overall market share of 3.4%.

Borrowers' Profile of HMDA Loans Within AA					
Income Level	% of Loans by Income Level of Borrower				1996 Aggregate HMDA Data-All Lenders in AA
	% of Families by Income Level	7/1/95 to 12/31/95	1996	1/1/97 to 8/31/97	
Low	16	11	13	17	5
Moderate	19	18	21	24	17
Middle	27	24	31	28	28
Upper	38	37	32	28	37
N/A	-	10	3	3	13
Total	100	100	100	100	100

Small Business Loans:

Overall, the distribution of PNB's small business loans based upon business size is very good. The table below reveals that a substantial majority of loans originated were to small businesses, i.e. businesses with gross annual sales of \$1 million or less. For the entire review period, 77% of

small business loans made in the assessment area were to small businesses, representing 51% of the total dollar amount extended. As noted earlier, 77% of the businesses in the AA are defined as small business.

Distribution of Small Business Loans by Business Size - 1996				
Business Size (*)	# Loans	%	\$ Amt (000)	%
\$1 Million or Less	126	70	7,551	45
Greater than \$ 1 Million	53	30	9,073	55
Totals	179	100	16,624	100

Distribution of Small Business Loans by Business Size - 1/1/97-8/31/97				
Business Size (*)	# Loans	%	\$ Amt (000)	%
\$1 Million or Less	79	91	5,153	63
Greater than \$ 1 Million	8	9	3,055	37
Totals	87	100	8,208	100

(*) Gross Annual Sales

Source: Bank Small Business Collection Register

Based upon our analysis of the Small Business Collection register, PNB's distribution of business loans to businesses of different sizes is good. For the review period, 78% of the number of loans originated were in amounts of less than \$100 thousand. An additional 12% were in amounts of \$100 thousand to \$250 thousand and 10% represents loans of more than \$250 thousand.

Additionally, 175 (84%) of the loans originated in amounts of less than \$100 thousand were to businesses with revenue of \$1 million or less (small business loans to small businesses). This performance reflects a good responsiveness to AA credit needs.

Small Business Loans in Assessment Areas by Loan Amount at Origination				
1996				
Amount	# Loans	%	\$ Amt (000)	%
Less than \$100 thousand	139	78	5,197	31

\$100 thousand to \$250 thousand	24	13	3,943	24
More than \$250 thousand	16	9	7,484	45
Totals	179	100	16,624	100

Small Business Loans in Assessment Areas by Loan Amount at Origination				
1/1/97 to 8/31/97				
Amount	# Loans	%	\$ Amt (000)	%
Less than \$100 thousand	70	80	1,674	20
\$100 thousand to \$250 thousand	7	8	1,139	14
More than \$250 thousand	10	12	5,395	66
Totals	87	100	8,208	100

Source: Small Business Collection Register

COMMUNITY DEVELOPMENT LENDING

PNB has originated loans which meet the definition of community development, however they have been reported elsewhere in this Performance Evaluation either under home mortgage or small business loans. The majority of these loans have either been to help create employment for LMI individuals or to help stabilize or revitalize LMI geographies, primarily downtown Phillipsburg.

Innovative or Flexible Lending Practices

PNB instituted a First Time Home Buyer residential mortgage loan program in 1995 directed to LMI individuals. For the review period, the bank originated fifty-two loans totaling \$5.3 million. This equates to an average loan of \$102 thousand and 10% of all HMDA lending during the evaluation period. The bank also participates in the Stafford Student Loan Program. These loans feature special low interest rates and no repayment until six months following graduation or leaving school.

INVESTMENT TEST

The dollar amount of qualified investments represents a reasonable level of investments. The bank chose to have the investments of its affiliate, Twin Rivers Community Bank, considered for this test. Twin Rivers Community Bank did not take CRA credit for these investments. The

majority of the investments are not innovative, but respond to the credit needs of the AA. Below is a breakdown of qualified investments:

Easton Economic Development Corporation Loan Fund	\$600,000
New Jersey Community Loan Fund	50,000
Other grants and donations	<u>7,000</u>
Total	\$657,000

The Easton Economic Development Corporation Loan Fund was established in August 1997. Business owners who want to to expand, renovate, or relocate into Easton’s enterprise zone are eligible for up to \$1 million in low-interest loans. PNB contributed \$100,000 and Twin Rivers Community Bank contributed \$500,000.

The New Jersey Community Loan Fund was established in 1987. The fund helps support community development projects throughout the state, including the bank’s AA. The fund helps small businesses which create jobs, by combining flexible financing from its revolving loan pools with hands-on technical assistance. Additionally, the bank is donating back its earnings on this investment to the fund.

The grants and donations listed above represent various contributions to nearly a dozen organizations supporting community development activities essential to LMI individuals and/or geographies.

SERVICE TEST

The delivery systems are reasonably accessible to all portions of PNB’s assessment area. Overall, the distribution of branches compares favorably to the geographies in the AA. As reflected in the following table, 80% of the bank’s offices are in middle income tracts, which represents the traditional service area of the bank. The remaining 20% are in moderate income geographies and is favorable, given that 10% of the census tracts are moderate income. The low income tracts are in close proximity to the two branches located in the moderate income tracts.

Distribution of Delivery Systems			
Census Tract Characteristic	# of Branches	% of Total Branches	% of Geographies
Low	0	0	2
Moderate	2	20	10
Middle	8	80	68
Upper	0	0	16
Totals	10	100	(*)

(*) Does not add up to 100%. 4% of tracts have no income data.

Overall branch hours are reasonable and are convenient to PNB's customers. All offices have extended hours either during the week and/or Saturday, including those located in moderate income tracts.

Eight offices (80%) provide 24 hour access via automated teller machines (ATMs) of which one (13%) is located in a moderate income census tract.

The bank also offers a toll free automated telephone banking service called CARLA. This voice response system provides customers with 24 hour access, seven days a week, to deposit and loan inquiries and the ability to transfer funds between deposit and loan accounts. The service is free of charge. Additionally, general information on deposit and loan rates is available to the public through this service.

Since the last review, PNB expanded its branch network by purchasing two offices (from two different large regional banks). In one of these transactions, only the deposits of the branch were acquired. Both branches were located in middle income tracts.

Community Development Services

PNB provides a good level of community development services. Primary services include providing standard financial services, credit counseling, and technical assistance on financial matters. Examples include:

- The bank provides servicing of the Phillipsburg Small Cities Community Economic Development Revolving Loan Program at no charge. This service is considered innovative as no other banks in the area are providing this service. By absorbing the costs, the bank helps the program put additional funds to work in the community.
- An individual from the bank serves on the Phillipsburg Small Cities Revolving Loan Program credit committee. Additionally, the bank assists with loan analyses and provides credit reports at no charge.
- The bank co-sponsored, along with the Federal Reserve Board, two seminars, which

focused on the home buying process and targeted first-time buyers and households with limited resources.

- A representative of the bank serves on the loan review committee of the Easton Economic Development Corporation Loan Fund.

The following is a lower cost deposit services offered by PNB:

- A low cost personal checking account called Value+Plus designed for customers, including LMI, who write only a few checks each month.

FAIR LENDING REVIEW

A concurrent fair lending review did not identify any violations of the various antidiscrimination laws and regulations. PNB's fair lending policies, procedures, training programs, and internal assessment efforts have been effective in assisting lenders on these issues.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Newark MSA (MSA 5640)

PNB's performance in helping to meet the credit needs of its assessment area within the Newark MSA 5640 is consistent with the bank's overall performance.

Description of Institution's Operations in MSA 5640

Full service banking is provided throughout this portion of the assessment area. Eight offices (80%) are located in this MSA. All offices offer a full range of loan and deposit services and products. Six offices (50%) offer 24 hour access via ATMs. One of these ATMs is located in a moderate income geography. The credit needs of this MSA are 1-4 family mortgage financing and small business lending, which is consistent throughout the entire AA.

Description of Newark MSA 5640

The portion of MSA 5640 included in PNB's assessment area consists of Warren County and contains 24 census tracts broken down as follows: 5 moderate income (21%), 17 middle income (71%), 1 upper income (4%), and 1 (4%) with no income data available. The median family income for the entire MSA is \$50,047.

A discussion of the various performance tests with respect to MSA 5640 follows:

Lending Test

The 543 HMDA related loan originations within MSA 5640 represents approximately 66% of the total number of loans (823) throughout the review period. This also represents \$25.2 million (52%) of the total dollar (\$48.1 million) amount originated in the AA.

The following table reflects that PNB's average level of mortgage lending well exceeds the level of owner occupied housing, especially within the moderate income tracts. Four of the five moderate income tracts are located within the town of Phillipsburg, where the bank is headquartered. PNB's overall market share in this portion of the AA is 12%. Based on 1996 aggregate HMDA data, PNB had the largest market share (34%) of loans originated in moderate income tracts and significantly exceeded its overall market share of 12% within this portion of the AA. The next closest market share (8%) was obtained by a non-bank mortgage lender. PNB's market share in lending to low and moderate income individuals was 26% and 12%, respectively.

Income Level	% of Loans by Income Level of Census Tract (HMDA Loans)			1996 Aggregate HMDA-All Lenders in MSA	% of Census Tracts	% of Owner Occupied Households
	7/1/95-12/31/95	1996	1/1/97-8/31/97			
Low	0	0	0	0	0	0
Moderate	39	43	38	16	21	18
Middle	61	57	62	80	71	77
Upper	0	0	0	4	4	5
NA	-	-	-	-	4	-
Total	100	100	100	100	100	100

Borrower's Profile

The following table indicates that the bank has a very good record of lending to borrowers with different income levels in the MSA. The number of HMDA loans to LMI borrowers averaged 41% of the total loans originated during the review period while 41% of the families are within those income levels. The bank has also exhibited a positive trend in the percentage of loans to LMI borrowers. Additionally, within this portion of the MSA, PNB had the highest market share (16%) of HMDA loans to LMI borrowers, based on 1996 aggregate data. Again, the non-bank mortgage lender had the next highest share at 7%.

Borrowers' Profile of HMDA Loans Within MSA 5640					
Income Level	% of Loans by Income Level of Borrower				1996 Aggregate HMDA-All Lenders in MSA
	% of Families by Income Level	1/1/95-12/31/95	1996	1/1/97-8/31/97	
Low	19	15	17	18	8
Moderate	22	23	24	36	21
Middle	30	29	32	42	31
Upper	29	29	25	29	28
NA	-	4	2	1	12
Total	100	100	100	100	100

Small Business Loans:

PNB originated 194 small business loans during the review period in this MSA, of which 154 (79%) were to businesses with revenue of \$1 million or less. Additionally, 73 (38%) of the loans were made in LMI census tracts throughout the MSA. PNB's performance in LMI census tracts is very good when considering that 21% of the total census tracts in this portion of the MSA are LMI. A breakdown by size of the loan indicates that during the review period, 157 (81%) of the loans originated were for \$100 thousand or less, 21 (11%) between \$100 thousand and \$250 thousand, and 16 (8%) were for amounts greater than \$250 thousand. Additionally, 135 (86%) of the loans originated for \$100 thousand or less were also to businesses with revenues of \$1 million or less.

Community Development Loans:

Refer to the overall Community Development Lending section of this Performance Evaluation for details.

INVESTMENT TEST

The only qualified investment within this MSA is the bank's investment in the New Jersey Community Loan Fund. Investment opportunities are limited. Within this portion of the MSA, there are several economic development loan funds. Based on discussion with a municipal economic development officer, these funds are self-funding through amortization of existing loans or are adequately capitalized. With respect to investments that would assist with affordable housing, the town of Phillipsburg recently received \$5 million from a nearby municipality for its share of affordable housing under the Mount Laurel agreement. For a more detailed listing of the investments, refer to the overall Investment Test portion of this Performance Evaluation.

SERVICE TEST

The following table reflects that the large majority of the offices in MSA 5640 are located in middle income census tracts.

Distribution of Delivery Systems - MSA 5640			
Census Tract Characteristic	# of Branches (*)	% of Total Branches	% of Geographies

Low	0	0	0
Moderate	2	25	21
Middle	6	75	71
Upper	0	0	4
Totals	8	100	(*)

(*) Does not add up to 100%. 4% of tracts have no income data.

All eight offices provide extended hours and six of the offices offer 24 hour access via ATMs. Since the last review, PNB expanded its branch network by opening one new office in this MSA. The toll free telephone banking service provides customers 24 hour access, seven days a week, to deposit and loan balances and rates, the ability to transfer funds among accounts, and general information on credit counseling services, affordable mortgage, and low cost banking products, and other customer service functions.

Community Development Services

PNB's level of community development services is good. Primary services include providing standard financial services, serving on the loan committee of a local economic development loan fund, addressing credit counseling needs, and targeting products and services to LMI individuals and small businesses. For a more detailed listing and description of services offered, refer to the overall Community Development Services portion of this Performance Evaluation.

Conclusions with Respect to Performance Tests in Middlesex-Somerset MSA (MSA 5015)

PNB's performance in helping to meet the credit needs of its assessment area within the

Middlesex-Somerset MSA 3640 is consistent with the bank's overall performance.

Description of Institution's Operations in MSA 5015

Full service banking is provided throughout this portion of the assessment area. Two offices are located within this MSA. The credit needs of this MSA are 1-4 family mortgage financing and small business lending, which is consistent throughout the entire AA.

Description of Middlesex-Somerset MSA 5015

The portion of MSA 5015 included in PNB's AA includes Hunterdon County and contains 22 census tracts broken down as follows: fifteen middle income (68%), five upper (23%), and one (9%) with no income data available. The substantial majority of housing is one to four family residential units. Affordability is an issue, with an average median housing cost of \$214,159. By comparison, the median family income of the entire MSA is \$55,147. With a per capita income of \$32,838, Hunterdon County is among the wealthiest in the United States.

A discussion of the various performance tests with respect to MSA 5015 follows:

Lending Test

The ninety-four HMDA related loan originations within MSA 5015 represent approximately 12% of the total number of loans throughout the review period. This also represents \$8.9 million (18%) of the total dollar amount originated within the entire AA. The table below reflects that PNB's average level of mortgage lending exceeds that of the owner occupied housing in the middle income tracts, which make up the majority of tracts in the AA. An average of 69% of loans by income level of the tract were made in middle income tracts compared to 57% of owner occupied households in the same income level.

Phillipsburg National Bank - MSA 5015						
Income Level	% of Loans by Income Level of Census Tract (HMDA Loans)			1996 Aggregate HMDA-All Lenders in MSA	% of Census Tracts	% of Owner Occupied Households
	7/1/95-12/31/95	1996	1/1/97-8/31/97			
Low	0	0	0	0	0	0
Moderate	0	0	0	0	0	0
Middle	80	72	61	54	68	57
Upper	20	28	39	46	23	43
NA	-	-	-	-	9	-
Total	100	100	100	100	100	100

Borrower's Profile

The following table indicates the bank's record of lending to borrowers with different income levels in the MSA is very good. The number of loans to LMI borrowers averaged 35% of the total loans originated during the review period while 28% of families are within those income levels.

Borrowers' Profile of HMDA Loans Within MSA 5015					
	% of Loans by Income Level of Borrower (HMDA Loans only)				
Income Level	% of Families by Income Level	7/1/95-12/31/95	1996	1/1/97- 8/31/97	1996 Aggregate HMDA-All Lenders in MSA
Low	12	20	9	21	5
Moderate	16	13	22	21	14
Middle	27	13	32	19	27
Upper	45	54	35	33	39
Not Available	-	0	2	6	15
Total	100	100	100	100	100

Small Business Loans:

PNB originated 35 small business loans during the review period in this MSA of which 77% were to businesses with revenue of \$1 million or less. A breakdown by size of the loan indicates that during the review period, 26 (74%) of the loans originated were for \$100 thousand or less, 3 (9%) between \$100 thousand and \$250 thousand, and 6 (17%) were for amounts greater than \$250 thousand. Additionally, 22 (85%) of the loans originated for \$100 thousand or less were also to businesses with revenue of \$1 million or less.

Community Development Loans:

There were no community development loans made in this MSA. Opportunities for community development type of lending is limited, given the economic and demographic characteristics of the county. Refer to the overall Community Development Lending section of this Performance Evaluation for details.

INVESTMENT TEST

With the exception of the bank's investment in the New Jersey Community Loan Fund, no other qualified investments were made in this MSA. Opportunities for making qualified investments in this portion of the MSA are limited. For a more detailed listing of the investments, refer to the overall Investment Test portion of this Performance Evaluation.

SERVICES TEST

The bank operates two branches in this MSA. Both branches provide extended hours and offer 24 hour access via an ATM. Since the last review, PNB expanded its branch network by opening one office in this MSA. The telephone banking service provides customers 24 hour access, seven days a week, to deposit and loan balances and rates, information on credit counseling services, affordable mortgage, and low cost banking products, and other customer service functions.

Community Development Services

PNB's level of community development services is good. Primary services include providing standard financial services, addressing credit counseling needs, and targeting products and services to LMI individuals and small businesses. For a more detailed listing and description of services offered, refer to the overall Community Development Services portion of this Performance Evaluation.

Scope of Examination

Time Period Reviewed	July 1, 1995 to August 31, 1997 - HMDA January 1, 1996 to August 31, 1997- Small Business		
Financial institution Phillipsburg National Bank Newark, NJ			Products reviewed Mortgage loans, small business loans, and investments
Affiliate(s)	Affiliate relationship		Products reviewed
PNB Investment Corporation	Bank Affiliate		Investments
Twin Rivers Community Bank	Holding Company State Chartered Affiliate (Small Bank)		Investments
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Newark/Middlesex- Somerset/Allentown- Bethlehem-Easton MSAs	On-site	Hillcrest	