



Comptroller of the Currency
Administrator of National Banks

Small Bank

Northeastern District
Eastern Pennsylvania Field Office
Four Greenwood Square, Suite 120
3325 Street Road
Bensalem, PA 19020

Public Disclosure

February 9, 1998

Community Reinvestment Act Performance Evaluation

**Elverson National Bank
Charter Number: 10775
83 West Main Street
Elverson, Pa 19520**

**Comptroller of the Currency
Eastern Pennsylvania Field Office
Four Greenwood Square, Suite 120
3325 Street Road
Bensalem, Pennsylvania 19020**

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.

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 **Elverson National Bank** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **February 9, 1998**. 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 **"Outstanding"**.

Primary factors supporting the bank's overall rating include:

- The average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the assessment areas;
- A substantial majority of Home Mortgage Disclosure Act (HMDA) reportable loans, commercial loans, agricultural loans, and consumer loans originated during the examination period are in the bank's assessment areas;
- The level of lending to low-and-moderate income individuals and businesses of different sizes shows excellent penetration based upon the demographics of the area and credit needs of the assessment areas;
- Loans originated in the assessment areas reflect good penetration of geographies with different income characteristics; and
- The record of investments and service delivery systems enhances credit availability in the bank's assessment areas.

The following table indicates the performance level of **Elverson National Bank** with respect to each of the five performance criteria.

Table I. Results of Performance Tests

SMALL INSTITUTION ASSESSMENT CRITERIA	ELVERSON NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Areas	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No Complaints Were Received Since the Prior Examination		

Scope of the Examination

This evaluation of Elverson National Bank's (ENB) performance covers the period from January 1, 1996 through December 31, 1997. The evaluation includes an analysis of each of the three assessment areas, each of which covers a separate Metropolitan Statistical Area (MSA), designated by the bank. The analysis is based on the bank's HMDA Loan Activity Reports (HMDA-LAR) and Loan Registers. These reports were tested for accuracy during the exam. Specific loan products evaluated include: HMDA-reportable loans (i.e. home purchase mortgage, refinance, and home improvement loans), loans to small businesses, loans to small farms, commercial loans, home equity, and consumer loans. In addition, this evaluation covers ENB's performance in making qualified investments and providing branches and other services and delivery systems that enhance credit availability in its assessment areas. We used the Small Bank CRA Procedures in conjunction with our review because the bank exceeded \$250 million in total assets during the first quarter of 1997. According to the regulation, the bank must exceed \$250 million in total assets for at least two entire fiscal years prior to the examination in order to be subject to the Large Bank CRA Procedures.

Description of Institution

ENB is a \$275 million institution located approximately 20 miles southeast of Reading, Pennsylvania. ENB operates nine full service branches throughout its three assessment areas. ENB operates six branches located throughout Chester County within the Philadelphia MSA. Two branches are located in central and southern portions of Berks County within the Reading MSA. One additional branch is located in northeastern Lancaster County within the Lancaster MSA. The bank operates automated teller machines (ATM's) at all nine branch locations. Two branches have opened and no branches have been closed since our last examination. Major competitors include several large local community banks. There are no financial or legal impediments impacting ENB's ability to help meet its community's credit needs.

The bank's loan portfolio is primarily commercial loans at 61% of total outstanding andings at December 31, 1997 (includes commercial mortgages, commercial installments, and construction loans) with the balance in HMDA-reportable mortgage loans at 25% and consumer loans at 14%. However, an evaluation of the number of originations for each lending category depicts a different breakdown of the portfolio. Specifically, commercial loans account for 36% of total originations, consumer loans 35%, and HMDA-reportable mortgage loans 29% during the examination period. In addition, the percentages for total outstanding noted above are somewhat misleading because the bank sells a large volume of residential mortgage loans on the secondary market. In 1997, ENB sold approximately \$16 million fixed and variable rate mortgage loans. The loan portfolio, in terms of total outstanding, equates to 55% commercial, 31% residential mortgage, and 14% consumer when loans sold during 1997 are included in the portfolio breakdown. Loans currently equal 73% of total assets.

The bank conducts phone surveys of its customers on a periodic basis to determine the effectiveness of the financial products and services offered and whether there are any unmet needs. The most recent survey was conducted during June of 1997 and reached approximately 300 customers that were selected per random statistical sampling. Overall, results show

customers are very satisfied with the wide array of products and services offered by ENB and that the vast majority of financial needs are being met. However, a high percentage of customers requested adding ATMs' at the only 2 branch locations that previously were without ATM services. A small percentage of customers also requested longer weekday hours at the CIC. Based on the results of this survey, the bank decided to add 2 new ATMs' during the past year. As noted above, ENB now offers ATM services at all branch locations. The bank is presently considering lengthening weekday hours at the CIC from 6:00 P.M. to 8:00. P.M.

Description of Assessment Areas

The bank's three assessment areas meet the requirements of the CRA regulation and do not arbitrarily exclude low-or moderate-income areas. ENB has defined three assessment areas which cover parts of three MSA's: Philadelphia; Reading; and Lancaster; and contain a total of 181 contiguous census tracts (CTs). The majority (93) of the CTs are located within the Philadelphia MSA, with the remaining CTs in the Reading MSA (56 CTs) and Lancaster MSA (32 CTs). There are 5 low-income CTs, 19 moderate-income CTs, 96 middle-income CTs, and 55 upper-income CTs within the assessment areas. Tract characteristics were unavailable for 6 CTs within the assessment areas. Thus, low-to moderate-income CTs comprise 13% of the total CTs within the assessment areas with the remaining 87% designated as middle- to upper-income CTs.

Based on 1990 census data, ENB's assessment areas have a total population of 710,591 which includes total families of 192,645. The median family income for the combined assessment areas averages \$45,788. Median housing value for the area is \$116,154 and median age of the housing stock is 37 years. Housing units total 270,442 of which 84% are one-to-four family units. Owner occupied housing is 71% of the total, and rental occupied housing is 25% of the total. Vacant housing units equal 4% of the total units.

The local economy has been relatively stable with unemployment rates trending downward for each of the three counties within the bank's assessment areas. The region benefits from a well diversified economic base, led by retail trade, manufacturing, tourism, agriculture, and service industries. Major employers include The Vanguard Group, Tyson Foods, Shared Medical Systems Corp., Armstrong World Industries, Inc., Reading Hospital & Medical Center, Dana Corp., and Lukens Inc.

Credit needs of the community were determined during this examination through discussions with management and by reviewing local community contacts made by other regulatory agencies. Both indicated that primary credit needs are affordable housing loans that provide flexible underwriting standards; small secured and unsecured consumer loans; and readily available small business loans.

As a result, the bank has established several programs to help meet the needs of its community. The bank participates in Fannie Mae's Community Home Buyers Program which requires only a 3% down payment, and offers the flexibility of, higher debt-to-income ratios and zero points to accommodate low-and moderate-income borrowers. ENB has originated 77 loans equating to just under \$6 million for 1996 and 1997 under this program. The bank is involved in the Federal

Home Loan Bank's Equity Fund Program for first time home buyers. The program is designed to assist first time home buyers who are low-to moderate-income applicants. The program assists these applicants by providing them matching funds for the amount they have saved during a required ten month timeframe in the program. Applicants must attend home ownership counseling classes with ENB and obtain their mortgage through ENB. There are presently 26 people enrolled in the program. The first borrower to complete this program settled in late 1997 on a home in the city of Lancaster. ENB is one of only two banks in Berks County and the only bank in Chester and Lancaster counties approved by the Federal Home Loan Bank to offer this program.

In addition, the bank offers non-conforming adjustable rate mortgages as an alternative for those borrowers who do not qualify under secondary market guidelines such as debt-to-income ratios and/or conforming types of properties. ENB has originated 53 such non-conforming mortgage loans totaling approximately \$5.4 million during the examination period. The bank offers various types of home improvement loans. For example, ENB offers "Primeline", a variable rate (tied to the prime rate) home equity line of credit that may be used for purposes such as home improvements, education expenses, and debt consolidation. The bank also offers both fixed and variable rate home equity loans that are available for home improvements with terms up to 15 years. ENB requires no up-front application fees and has no minimum loan amount. The bank is a participating Small Business Association (SBA) lender and promotes small business loans in their community. ENB has originated 6 SBA loans for \$409 thousand during the examination period.

ENB also has recently been approved to offer reverse mortgages under both Federal Housing Administration and Fannie Mae programs. This special mortgage product is offered only to people 62 years of age or older. The product enables a borrower to use the equity in their home to address their particular financial needs. The reverse mortgage gives the borrower the option of receiving fixed monthly payments or the ability to access a line of credit whenever the need occurs. There are no income or credit requirements and borrowers are allowed to keep the title to their homes once they have obtained the mortgage. Three reverse mortgages have been approved and funded for a total of \$247 thousand during the examination period. The bank has received over 100 inquiries regarding the product and have sent 25 people to the required reverse mortgage counseling sessions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

ENB's average loan-to-deposit ratio of 86% for the last eight consecutive quarters is more than reasonable given the bank's size, financial condition, and assessment area credit needs. This ratio compares very favorably to both the national peer of 71% and to the 77% ratio achieved by other community banks operating within the bank's assessment areas. ENB's loan-to-deposit ratio is also the highest of the twenty-eight banks supervised by the OCC out of the Eastern Pennsylvania Field Office in Bensalem, Pennsylvania as of September 30, 1997. In addition, the bank originated approximately \$16 million in mortgage loans in 1997 and approximately \$17 million in

1996 that were sold in the secondary market. Loans sold are not included in the ratios noted above.

Lending in Assessment Areas

ENB generates reports that track lending activity inside and outside of its assessment areas. This includes an analysis of HMDA, commercial, agricultural, and consumer loans. A substantial majority of loans are within the bank's assessment areas, as indicated by the following two tables.

LENDING WITHIN THE ASSESSMENT AREAS (AAs) For 1996 and 1997						
Year	# of Loans		% in AAs	\$ Amount of Loans (000's)		% in AAs
	In AAs	Out of AAs		In AAs	Out of AAs	
1996	1,207	131	90%	73,713	8,486	89%
1997	1,164	135	89%	74,933	7,766	91%
TOTAL	2,371	266	90%	148,646	16,252	90%

* Data includes HMDA, commercial/agricultural, and consumer loan originations

Lending in the Assessment Areas by Product Type During the Examination Period						
Loan Type	# of Loans in AAs	# of Loans out AAs	% of # in AAs	\$ of Loans in AAs (000)	\$ of Loans out AAs (000)	% of \$ in AAs
HMDA Loans	566	77	88%	42,479	7,279	85%
Commercial and Agricultural	686	104	87%	89,107	7,141	93%
Consumer	1,119	85	93%	17,060	1,832	90%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's record of lending to borrowers of different income levels was evaluated using various HMDA reports, and bank generated information regarding all home mortgage, home equity, and consumer loan originations during 1996 and 1997. Our review reveals excellent penetration of lending to borrowers of different income levels, including low- and moderate-income borrowers. The following three tables show ENB's lending patterns are representative of the demographic composition and credit needs of the assessment areas. Specifically, the data illustrates an extremely high level of consumer loan originations to low- and moderate-income borrowers when compared to the percentage of families residing within these areas. Consumer loans also account for a high percentage of total loan originations (35%) during the examination period, and they are one of the primary credit needs of the community. Additionally, HMDA loan originations to moderate-income borrowers are very good when compared to the percentage of families living within such areas. The data also shows the aggregate number of HMDA reportable and consumer loan originations to low- and moderate-income borrowers is excellent when compared to the percentage of families residing within these areas.

Lender market share reports regarding 1996 HMDA-reportable loans reflect favorably on the bank. Specifically, ENB's market share equates to 1.18% of total loans within its combined assessment areas. ENB originated 15 loans equating to \$429 thousand for a market share of 1.13% to low-income borrowers during this timeframe. ENB also originated 56 loans equating to \$3,490 thousand for a market share of 1.32% to moderate-income borrowers in 1996.

HMDA Loan Originations by Level of Borrower Income									
Income Category	1996				1997				% of Families Within AAs
	# Orig.	%	\$ Orig. (000)	%	# Orig.	%	\$ Orig. (000)	%	
Low	15	5%	429	2%	14	6%	436	3%	13%
Moderate	56	18%	3,490	15%	46	18%	2,353	12%	17%
Middle	97	31%	5,872	25%	71	28%	4,482	23%	26%
Upper	131	41%	11,660	50%	111	44%	10,918	56%	44%
NA **	14	5%	1,783	8%	11	4%	1,056	6%	---
Total	313	100%	23,234	100%	253	100%	19,245	100%	100%

* This data includes all HMDA-reportable home mortgage and home equity loans.

** Data not available

Consumer Loan Originations by Level of Borrower Income									
Income Category	1996				1997				% of Families Within AAs
	# Orig.	%	\$ Orig. (000)	%	# Orig.	%	\$ Orig. (000)	%	
Low	134	25%	993	14%	151	27%	1,231	13%	13%
Moderate	109	20%	1,434	20%	131	23%	1,505	15%	17%
Middle	116	21%	2,010	28%	108	19%	1,877	19%	26%
Upper	189	34%	2,684	38%	181	31%	5,326	53%	44%
Total	548	100%	7,121	100%	571	100%	9,939	100%	100%

* This data includes all consumer installment and non-HMDA reportable home equity loan originations.

HMDA and Consumer Loan Originations by Level of Borrower Income (Two Tables Above Combined)									
Income Category	1996				1997				% of Families Within AAs
	# Orig.	%	\$ Orig. (000)	%	# Orig.	%	\$ Orig. (000)	%	
Low	149	17%	1,422	5%	165	20%	1,667	6%	13%
Moderate	165	19%	4,924	17%	177	22%	3,858	13%	17%
Middle	213	25%	7,882	26%	179	22%	6,359	22%	26%
Upper	320	37%	14,344	47%	292	35%	16,244	56%	44%
NA *	14	2%	1,783	5%	11`	1%	1,056	3%	---
Total	861	100%	30,355	100%	813	100%	29,184	100%	100%

* Data not available

We used bank generated reports detailing commercial and agricultural loan originations during 1996 and 1997 to evaluate the bank's record of lending to small businesses and small farms. Small business and small farm loans are defined as loans to a company with less than \$1 million in gross annual revenues. ENB is very responsive to the credit needs of small businesses and small farms in its assessment areas. During the examination period, an average of 69% of commercial originations were made to small businesses and small farms. The following three tables illustrate that ENB has an excellent record of making small business loans and lending to small businesses and farms.

1996 Commercial and Agricultural Loan Originations				
Original Loan Amounts	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	191	6,758	30	732
\$100,000 to \$250,000	34	5,842	2	337
Greater than \$250,000	28	14,215	1	257
Total	253	26,815	33	1,326

1997 Commercial and Agricultural Loan Originations				
Original Loan Amounts	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	225	7,883	20	449
\$100,000 to \$250,000	40	6,951	4	680
Greater than \$250,000	24	9,740	0	0
Total	289	24,574	24	1,129

1996 and 1997 Commercial and Agricultural Loans Made to Small Businesses and Small Farms				
	# of Loans	% of Number	\$ of Loans \$(000's)	% of Dollar Amount
1996 - Businesses with Revenues < \$1,000,000	170	67%	17,079	64%
1996 - Farms with Revenues < \$1,000,000	33	100%	1,326	100%
1997 - Businesses with Revenues < \$1,000,000	184	64%	15,884	65%
1997 - Farms with Revenues < \$1,000,000	24	100%	1,129	100%
Totals (Including Overall Averages)	411	69%	35,418	66%

Geographic Distribution of Loans

We reviewed the geographic distribution of ENB's loans using all HMDA, consumer, and commercial/agricultural loan originations during the examination period. Our analysis shows that ENB has a very good record of lending in geographies with various income characteristics. The data shows the geographic distribution of loans is representative of the demographic composition of the assessment areas. Our analysis shows the majority of penetration exists within middle- and upper-income CTs. Lending within low- and moderate-income CTs is not as prevalent because a low percentage of such tracts exist within ENB's assessment areas. HMDA loan originations to low- and moderate-income CTs are much lower primarily because only 6% of the housing stock in these areas is owner occupied. Specifically, only 1% of the housing stock in low- income CTs, and 5% in moderate-income CTs, is owner occupied. Consumer loan originations to low- and moderate-income CTs approximate the demographic composition of the assessment areas.

Conversely, the geographic distribution of commercial and agricultural loans in low- and moderate-income CTs exceeds the percentage of such CTs within the assessment areas. As noted previously in this evaluation, the majority of ENB's loan portfolio is comprised of commercial and agricultural loans.

HMDA Reportable Loan Originations by Census Tract Characteristic During Examination Period							
Census Tract Characteristic	# of Loans	%	\$ Amount (000)	%	Census Tracts Within AAs	% of CTs Owner Occupied	% of Total Census Tracts
Low	3	1%	95	1%	5	1%	3%
Moderate	16	3%	991	2%	19	5%	11%
Middle	335	59%	23,661	55%	96	56%	53%
Upper	212	37%	17,732	42%	55	38%	30%
* NA	---	---	---	---	6	---	3%
Total	566	100%	42,479	100%	181	100%	100%

* Tract characteristics not available

Consumer Loan Originations by Census Tract Characteristic During Examination Period						
Census Tract Characteristic	# of Loans	%	\$ Amount (000)	%	Census Tracts Within AAs	% of Total Census Tracts
Low	4	1%	26	1%	5	3%
Moderate	121	11%	1,913	10%	19	11%
Middle	400	36%	5,813	30%	96	53%
Upper	594	52%	11,672	59%	55	30%
* NA	---	---	---	---	6	3%
Total	1,119	100%	19,424	100%	181	100%

* Tract characteristics not available

Commercial and Agricultural Loan Originations by Census Tract Characteristic During Examination Period						
Census Tract Characteristic	# of Loans	%	\$ Amount (000)	%	Census Tracts Within AAs	% of Total Census Tracts
Low	20	3%	1,309	2%	5	3%
Moderate	112	16%	18,496	21%	19	11%
Middle	257	38%	29,041	32%	96	53%
Upper	297	43%	40,262	45%	55	30%
* N/A	---	---	---	---	6	3%
Total	686	100%	89,108	100%	181	100%

* Tract characteristics not available

Compliance with Antidiscrimination Laws

No violations of antidiscrimination laws and regulations were noted during the concurrent fair lending examination.

Investments

The bank's investment record enhances credit availability in its assessment areas based on its qualified community development investments and grants. Since the last CRA examination, ENB has made an equity investment of \$100 thousand in the Penn SE Mezzanine Fund, a multi-investor Community Development Corporation (CDC). The fund's primary purpose is to provide equity-type financing for small and mid-sized businesses, including minority businesses, in seven counties in Southeast Pennsylvania.

ENB created its "Home Runs for Housing" program in 1996. Under this program, the bank contributes \$50 to Neighborhood Housing Services (NHS) and Habitat for Humanity for each home run hit by the Reading Phillies minor league baseball team. ENB has contributed \$3,650 to NHS and \$3,650 to Habitat for Humanity, both located in Reading, in conjunction with this program. NHS is a community based non-profit organization that provides home owner education and ultimately helps potential home buyers throughout the entire process including securing financing. NHS's programs target low- and moderate-income families. Habitat for Humanity is a non-profit organization that provides affordable housing for low- to moderate-income individuals.

ENB has also contributed \$2,001 to the Chester County Industrial Development Authority. This organization promotes economic growth and community development throughout Chester

County. It provides grants for start-up businesses, participates in the SBA Section 504 Program for business expansion, and creates manufacturing jobs in Chester County which benefit low- and moderate-income individuals.

Services

The bank has improved the accessibility of service delivery systems within its assessment areas by opening two additional branches and by adding two ATMs' during the examination period. One of these branches, the West Chester office, is also located in a moderate-income CT. No branches were closed during this timeframe. Branches are located in following areas: 5 in upper-income CTs, 3 in middle-income CTs, and one in a moderate-income CT. Offices are reasonably accessible to all parts of the assessment areas. Full banking services are available at all office locations. Office hours meet the convenience and needs of the entire community and include extended weekday and Saturday hours at all locations. In general, services do not inconvenience low- and moderate-income individuals living within the assessment areas. As noted earlier in this evaluation, low- and moderate-income CTs comprise only 13% of the total CTs within the assessment areas. Also, low- and moderate-income families comprise 34% of total families living within middle-income CTs and 18% of total families residing within upper-income CTs. Offices and service delivery systems are readily accessible to all of these areas and individuals residing within these locations.

The bank provides alternative systems for delivering retail banking services to its community, including banking by phone, banking by mail, a website on the Internet, and ATMs' at all branch locations. ENB's Anytime Access Line, which was implemented during October of 1992, allows customers automated access to their accounts 24 hours a day. The service allows customers to check account balances, review transactions, obtain current loan and deposit rates, and transfer funds between accounts. ENB also offers its customers the services of its Customer Information Center (CIC) for all general banking needs. Customers may access the CIC by phone from 8:00 A.M - 6:00 P.M Monday through Friday and 8:00 A.M to noon on Saturdays. Unlike the Anytime Access Line, customers deal directly with customer service representatives at the CIC.

Management lends its financial expertise through its positions on the Board of Directors and various committees for organizations that promote community development throughout the assessment areas. The bank conducts periodic seminars for NHS targeted towards low- and moderate-income first time home buyers. Management is actively involved with the TriCounty Business Association, the Reading Business Association, the Morgantown Business Association, and the Pottstown Area Industrial Development, Inc. These organizations promote community development and provide financial support for small businesses throughout ENB's assessment areas.

Metropolitan Statistical Areas

Note: The bank has designated three separate assessment areas; and, each assessment area covers portions of a different MSA (e.g. the Philadelphia MSA covers the Chester County assessment area; the Reading MSA comprises the Berks County assessment area; and the Lancaster MSA covers the Lancaster County assessment area).

Conclusions with Respect to Performance in the Philadelphia MSA (MSA 6160):

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

Description of Institution's Operations in MSA 6160

Full service banking is provided throughout this assessment area. Six branch offices (67%) are located within this MSA. Each office offers a full range of loan and deposit services/products. ENB's focus, which is consistent throughout the entire MSA, is home improvement/mortgage loans that provide flexible underwriting standards, small consumer loans, and small business loans.

Description of Philadelphia MSA 6160

The portion of MSA 6160 included in this assessment area contains 93 CTs broken out as follows: 1 low-income CT (1%), 5 moderate-income CTs (5%), 34 middle-income CTs (37%), and 47 upper-income CTs (51%). Tract characteristics were not available for 6 CTs (6%). Based on 1990 census data, the portion of the MSA within this assessment area has a population of 314,958 which includes total families of 84,049. The median family income averages \$55,552. Housing units total 117,252 of which 82% are one-to-four family units. Owner occupied housing is 71% of the total, and rental occupied housing is 25% of the total. Vacant housing units equal 4% of the total units. The major employers in the MSA include The Vanguard Group, Lukens Inc., and Shared Medical Systems Corp.

Conclusions with Respect to Performance Criteria in MSA 6160

Lending

ENB's performance in this assessment area is similar to the overall performance of the bank. Our analysis shows that a majority of HMDA (60%), commercial/agricultural (54%), and consumer (55%) loan originations were in this MSA during the examination period.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Our analysis of HMDA lending shows that 5% of 1996 originations in the MSA were to low-income borrowers, 17% were to moderate-income borrowers, 32% were to middle-income borrowers, and 46% were to upper-income borrowers. Our review of consumer lending shows that 25% of 1996 originations in the MSA were to low-income borrowers, 21% were to moderate-income borrowers, 22% were to middle-income borrowers, and 32% were to upper-income borrowers.

Our analysis of HMDA lending shows that 7% of 1997 originations in the MSA were to low-income borrowers, 15% were to moderate-income borrowers, 28% were to middle-income borrowers, and 50% were to upper-income borrowers. Our review of consumer lending shows that 27% of 1997 originations in the MSA were to low-income borrowers, 23% were to moderate-income borrowers, 18% were to middle-income borrowers, and 22% were to upper-income borrowers.

Overall, this data illustrates excellent penetration of lending to borrowers of different income levels, including low- and moderate-income borrowers. Lending patterns are also representative of the demographic composition and credit needs of the MSA.

ENB is very responsive to the credit needs of small businesses and small farms within this MSA. During the examination period, 81% of commercial originations within the MSA were made to small businesses and small farms.

Geographic Distribution of Loans

We reviewed the geographic distribution of all HMDA, commercial/agricultural, and consumer loan originations for MSA 6160 for the examination period. Our analysis shows that ENB has a very good record of lending in geographies with various income characteristics. Our analysis shows 6% of HMDA, 27% of commercial/agricultural, and 19% of consumer originations are within low- and moderate-income CTs. All other originations are within middle- and upper-income CTs. The data shows the geographic distribution of loans is representative of the demographic composition of the MSA. Lending within low- and moderate-income CTs is not as prevalent because such CTs comprise only 6% of the total CTs within the MSA. However, the data shows very good penetration, particularly with commercial/agricultural and consumer loans, to low- and moderate-income CTs. HMDA loan originations to low- and moderate-income CTs are much lower primarily because only 3% of the housing stock in these areas is owner occupied.

Investments

ENB has contributed \$2,001 to the Chester County Industrial Development Authority which is located within this MSA. Please refer to the overall assessment of investments for further details.

Services

The opening of an additional branch within a moderate-income CT has improved the accessibility of service delivery systems within this MSA. Six of ENB's nine branch offices (67%) are located in this MSA. Branches are located in the following areas: 3 in upper-income CTs, 2 in middle-income CTs, and 1 in a moderate-income CT. Branches are reasonably accessible to all parts of the MSA within this assessment area. A full array of banking services are available at all locations. In general, services do not inconvenience low- and moderate-income individuals residing within this MSA. Low- and moderate-income families comprise 35% of total families living within middle-income CTs and 16% of total families residing within upper-income CTs. Please refer to the overall assessment of services for further details.

Conclusions with Respect to Performance in the Reading MSA (MSA 6860):

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

Description of Institution's Operations in MSA 6860

Full service banking is provided throughout this assessment area. Two branch offices (22%) are located within this MSA. Each office offers a full range of loan and deposit services/products. ENB's focus, which is consistent throughout the entire MSA, is home improvement/mortgage loans that provide flexible underwriting standards, small consumer loans, and small business loans.

Description of Reading MSA 6860

The portion of MSA 6860 included in this assessment area contains 56 CTs broken out as follows: 4 low-income CTs (7%), 14 moderate-income CTs (25%), 31 middle-income CTs (55%), and 7 upper-income CTs (13%). Based on 1990 census data, the portion of the MSA within this assessment area has a population of 236,105 which includes total families of 65,122. The median family income averages \$38,013. Housing units total 97,079 of which 86% are one-to-four family units. Owner occupied housing is 69%, rental occupied housing 26%, and vacant housing 5% of total units. The major employers in the MSA include Dana Corp., Reading Hospital and Medical Center, Lucent Technologies, and Carpenter Technology Corp.

Conclusions with Respect to Performance Criteria in MSA 6860

Lending

ENB's performance in this assessment area is similar to the overall performance of the bank. Our analysis shows that 29% of HMDA, 18% of commercial/agricultural, and 30% of consumer loan originations were in this MSA during the examination period.

Lending to Borrowers of Different Income and Businesses of Different Sizes

Our analysis of HMDA lending shows that 4% of 1996 originations in the MSA were to low-income borrowers, 24% were to moderate-income borrowers, 31% were to middle-income borrowers, and 41% were to upper-income borrowers. Our review of consumer lending shows that 21% of 1996 originations in the MSA were to low-income borrowers, 20% were to moderate-income borrowers, 17% were to middle-income borrowers, and 42% were to upper-income borrowers.

Our analysis of HMDA lending shows that 4% of 1997 originations in the MSA were to low-income borrowers, 29% were to moderate-income borrowers, 29% were to middle-income borrowers, and 38% were to upper-income borrowers. Our review of consumer lending shows that 24% of 1997 originations in the MSA were to low-income borrowers, 27% were to moderate-income borrowers, 19% were to middle-income borrowers, and 30% were to upper-income borrowers.

Overall, this data illustrates excellent penetration of lending to borrowers of different income

levels, including low- to moderate-income borrowers. Lending patterns are also representative of the demographic composition and credit needs of the MSA.

ENB is very responsive to the credit needs of small businesses and small farms within this MSA. During the examination period, 84% of commercial originations within the MSA were made to small businesses and small farms.

Geographic Distribution of Loans

We reviewed the geographic distribution of all HMDA, commercial/agricultural, and consumer loan originations for MSA 6860 for the examination period. Our analysis shows that ENB has an adequate record of lending in geographies with various income characteristics. Our analysis shows 7% of HMDA, 27% commercial/agricultural, and 6% of consumer originations are within low- and moderate-income CTs. All other originations are within middle- and upper-income CTs. The data illustrates the geographic distribution of loans is representative of the demographic composition of the MSA. Lending within low- and moderate-income CTs is not very prevalent because such CTs comprise only 32% of the total CTs within the MSA. HMDA loan originations to low- and moderate-income CTs are particularly low because only 15% of the housing stock in these areas is owner occupied.

Investments

ENB has contributed \$3,650 to NHS of Reading and \$3,650 to Habitat for Humanity of Reading in conjunction with the bank's Home Runs for Housing Program. Please refer to the overall assessment of investments for further details.

Services

Two of ENB's nine branch offices (22%), both in upper-income CTs, are located in this MSA. Both branches are reasonably accessible to all parts of the MSA within this assessment area. A full array of banking services is available at each location. In general, services do not inconvenience low- and moderate-income individuals living within this MSA. Low- and moderate-income families comprise 33% of total families living within middle-income CTs and 23% of total families residing within upper-income CTs. Management is actively involved with the Reading Business Association, the Morgantown Business Association, and the Pottstown Area Industrial Development, Inc. These organizations, each located within this MSA, promote community development and provide financial support for small businesses. Please refer to the overall assessment of services for further details.

Conclusions with Respect to Performance in the Lancaster MSA (MSA 4000):

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

Description of Institution's Operations in MSA 4000

Full service banking is provided throughout this relatively small assessment area. One branch (11%) is located within this MSA. The branch offers a full range of loan and deposit

services/products. ENB's focus, which is consistent throughout the entire MSA, is home improvement/mortgage loans that provide flexible underwriting standards, small consumer loans, and small business loans.

Description of Lancaster MSA 4000

The portion of MSA 4000 included in this assessment area contains 32 CTs broken out as follows: no low- or moderate-income CTs (0%), 31 middle-income CTs (97%), and 1 upper-income CT (3%). Based on 1990 census data, the portion of the MSA within this assessment area has a population of 159,528 which includes total families of 43,474. The median family income averages \$38,557. Housing units total 56,111 of which 84% are one-to-four family units. Owner occupied housing is 72%, rental occupied housing is 26%, and vacant housing is 2% of total units. The major employers in the MSA include Armstrong World Industries, Inc., High Industries, Inc., and Tyson Foods, Inc.

Conclusions with Respect to Performance Criteria in MSA 4000

Lending

ENB's performance in this assessment area is similar to the overall performance of the bank. Our analysis shows 11% of HMDA, 28% of commercial/agricultural, and 15% of consumer loan originations were in this MSA during the examination period.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Our analysis of HMDA lending shows that 6% of 1996 originations in the MSA were to low-income borrowers, 15% were to moderate-income borrowers, 30% were to middle-income borrowers, and 49% were to upper-income borrowers. Our review of consumer lending shows that 28% of 1996 originations in the MSA were to low-income borrowers, 15% were to moderate-income borrowers, 26% were to middle-income borrowers, and 31% were to upper-income borrowers.

Our analysis of 1997 HMDA lending shows that 7% of originations in the MSA were to low-income borrowers, 14% were to moderate-income borrowers, 32% were to middle-income borrowers, and 47% were to upper-income borrowers. Our review of 1997 consumer lending shows that 31% of originations in the MSA were to low-income borrowers, 15% were to moderate-income borrowers, 22% were to middle-income borrowers, and 32% were to upper-income borrowers.

Overall, this data illustrates very good penetration of lending to borrowers of different income levels, including low- to moderate-income borrowers. Lending patterns are also representative of the demographic composition and credit needs of the MSA.

ENB is very responsive to the credit needs of small businesses and small farms within this MSA. During the examination period, 42% of commercial originations within this MSA were made to small businesses and small farms. This figure is much lower than both the Philadelphia and Reading MSAs' because numerous loans were made to one borrower with gross annual revenues

exceeding \$1 million.

Geographic Distribution of Loans

There are no low- to-moderate income CTs in this MSA. Thus, all originations are within middle- and upper-income CTs.

Investments

No qualifying investment were originated within this MSA. Please refer to the overall assessment of investments for further details.

Services

One of ENB's nine branches (11%) is located in this MSA. The branch is located in a middle-income CT and is reasonably accessible to all parts of the MSA within this assessment area. A full array of banking services is available at this branch. Also, services do not vary in any way that would inconvenience low- and moderate-income individuals residing within this MSA. Low- and moderate-income families comprise 33% of total families living within middle-income CTs and 17% of total families residing within upper-income CTs in this MSA. Please refer to the overall assessment of services for further details.