

LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

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

40 South State Street
Newtown, Pennsylvania 18940

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

NOTE: This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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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 **The First National Bank and Trust Company of Newtown** by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 27, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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

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

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

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

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

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

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

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

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

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

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

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

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

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

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

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

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

Overall CRA Rating

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

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

Performance Levels	The First National Bank and Trust Company of Newtown Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

Primary factors supporting the bank's overall rating include:

- < A substantial majority of loans are made within the assessment area.
- < HMDA lending to low- and moderate-income individuals reflects good penetration and addresses the identified credit needs in the assessment area.
- < The geographic distribution of HMDA loans reflects good penetration throughout the assessment area.
- < The level of lending to small businesses reflects adequate penetration. The percentage of loans less than \$100,000 to small businesses was good.
- < The bank has an adequate level of community development lending.
- < The bank has an adequate level of qualified community development investments and contributions.
- < Service delivery systems are accessible to geographies and individuals of different income levels in the assessment area. The Bank also provides a good

level of community development services.

Description of Institution

The First National Bank and Trust Company of Newtown (FNB) is a \$449 million institution as of September 30, 1999. The bank is located in Newtown, Bucks County, Pennsylvania. FNB is an intrastate bank offering a wide array of loan, fiduciary and deposit products. There are no operating subsidiaries of the bank. In addition, there has not been any merger or acquisition activity during the evaluation period. FNB is a subsidiary of FNB Bancorp, Inc., (Bancorp) which has total assets of \$452 million as of September 30, 1999. The only other subsidiary of the Bancorp is FNB Realty, Inc. which has \$3.6 million in real estate holdings used for FNB's operations. There are no other financial or legal impediments impacting FNB's ability to help meet community credit needs.

FNB operates a total of 16 branches, which are all located in lower to middle Bucks County and within the Philadelphia Metropolitan Statistical Area (MSA). Twelve of the branches are full service with normal banking hours and extended hours on Friday. No branches have Saturday hours. FNB also operates four offices located within retirement communities. Similar services are provided at these retirement locations but office hours are limited. The bank has automated teller machines (ATMs) at nine of their branches. Cash dispensing machines are also available at two of the retirement village locations and at a local restaurant/dairy bar in Newtown. The cash dispensing machines will not accept deposits. Two branches were opened during the evaluation period. Both branches have normal banking hours and are located in upper-income census tracts. However, the new Warminster branch is located within 2 miles of a moderate-income census tract.

As of September 30, 1999, FNB had total loans approximating \$233 million or 52% of total assets. The composition of the loan portfolio consists of commercial and commercial real estate loans at 42%, residential real estate (which includes home equity loans) at 48% and consumer installment loans at 10%. Tier I capital as of September 30, 1999 was \$44 million.

Strong competition is provided by a number of financial institutions that maintain banking offices in FNB's primary market of lower and middle Bucks County. Primary competitors include First Union, Mellon Bank, PNC N.A., Sovereign Bank and First Savings of Perkasio.

Description of Assessment Area

FNB has defined one assessment area (AA) which covers segments of the Philadelphia MSA 6160 (Bucks County). The assessment area contains a total of ninety-nine census tracts (CTs). All the CTs are in lower to mid Bucks County. The assessment area contains one low-income CT (1% of total CTs) and four moderate-income CTs (4%). The majority of the tracts (48) are designated middle-income (49%) while the remaining forty-five CTs are upper-income (45%). Data was not available for one tract (1%) located in Buck County.

FNB's assessment area complies with regulatory requirements and does not arbitrarily exclude low- and moderate-income areas. All market share data discussed in this Public Evaluation is in reference to the bank's market share within the assessment area rather than in any larger geographic area.

Details of the demographics of the assessment area are included in the following table.

Assessment Area Demographic Profile					
Census Tract Characteristic	Number of Census Tracts	Percentage of Total Tracts	Percentage of Population	Percentage of Owner Occupied Units	Percentage of Total Families
Low	1	1%	.02%	.01%	.03%
Moderate	4	4%	2.4%	1.4%	2.3%
Middle	48	49%	52.3%	49.3%	51.6%
Upper	45	45%	45.3%	49.3%	46.1%
NA	1	1%	0%	0%	0%
Total	99	100%	100%	100%	100%

As noted earlier, the assessment area contains only one low-income CT. The lending opportunities are limited in the CT as the percentage of owner-occupied units is less than 1% of the total owner occupied units. The population with this CT is also limited as less than 1% of the total population resides with the CT. The CT contains a closed steel mill, bodies of water and undeveloped land bordering the Delaware River.

The four moderate-income CTs also contain a low percentage of the total population and owner occupied housing units. The population within the four moderate-income CTs represents 2% of the total AA population. The percentage

of owner occupied units within the four moderate-income CTs is only 1% of the total owner occupied units. One moderate-income CT contains a landfill which is the highest land use in this CT. Another moderate-income census tract encompasses Warminster Heights which contains a federally owned housing project. A third moderate-income CT contains Grundy Towers which is housing for low-income senior citizens and also rental units owned by various affordable housing organizations.

Based upon the 1990 census tract, FNB's assessment area has a population of 455,484, which includes total families of 122,802. The average updated median family income per Department of Housing and Urban Development (HUD) guidelines is \$51,511. The census median family income is \$41,908. Of the 167,470 total housing units, 79% are one-to-four family units. Owner-occupied housing and rental occupied housing represents 72% and 23% of the total housing units available, respectively. Vacant housing units represent the remaining 5% of the total housing units. The average age of the housing units in the assessment area is thirty-five years, and the average cost of these units is \$148,448.

Major local employers and industries include Rohm & Haas, USX Corp, Woods Services, St. Mary Medical Center and Union Fidelity Life Insurance Company. A shift from manufacturing to services industries has been occurring in the county. Bucks County has been experiencing rapid population growth of 20% over the last decade. The 3% unemployment rate for November 1999 for Bucks County was better than the 4% rate for Pennsylvania.

Credit needs of the community were determined during this examination through discussions with management, review of newspaper articles and by an interview with the Executive Director from a non-profit organization serving the affordable housing needs of low- and moderate-income communities throughout Bucks County. The newspaper articles identified that the number of completed and proposed homes and mobile homes is experiencing rapid growth. This would suggest that home purchase financing is a need. Bank management stated that the primary credit needs were loans to small businesses and home equity loans for improvements and other purposes. The non-profit organization's Executive Director identified a need for financing of affordable housing.

Scope of the Examination

Evaluation Period/Products Evaluated

The evaluation period for the lending test covers loan activity from January 1, 1998 through December 31, 1999. Our review covered the following loan products: all Home Mortgage Disclosure Act (HMDA) reportable mortgage loans, small business loans, and community development loans that were originated or purchased during the evaluation period. The bank made no small farm loans during the evaluation period. All loan products were given equal weighting in determining our final ratings. For the investment and services test, we considered qualified investment activity and their record of providing retail and community development services from January 10, 1998 through January 27, 2000. FNB's previous CRA examination was conducted as of January 9, 1998 and the bank was assigned a rating of "Satisfactory."

Data Integrity

We reviewed the accuracy of the bank's HMDA records and CRA data collection of business loans. Our sample consisted of 62 HMDA records and 14 business loans from the CRA data.

Our review of the HMDA records revealed only bona fide errors, and an adequate process to monitor the accuracy of the records. Management provided updated HMDA information that resolved the bona fide errors.

We found significant errors in the CRA data collection of small business loans. Management corrected the small business loan data for 1998 and 1999. We used the corrected data in our evaluation. The 1998 published small business loan data is not accurate. Management has placed the corrected small business loan data in its CRA public file.

Selection of Areas for Full-Scope Review/Ratings

FNB has one assessment area which is included in the Philadelphia MSA. This area received a full-scope review and our ratings are based on the results of this review. Refer to the table in Appendix A for further details.

Fair Lending Review

A fair lending review performed in conjunction with this CRA examination revealed that the bank is complying with fair lending regulations. During this examination we compared all denied single applicants to a sample of approved married applicants for home improvement loans applied for from January 1, 1999 through October 31, 1999. This review focused on consistency in underwriting criteria and approval parameters. No violations of the substantive provisions of the anti-discrimination laws were discovered.

Conclusions with Respect to Performance Tests

LENDING TEST

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

Lending Activity

FNB's lending levels reflect a good responsiveness to assessment area credit needs. During the evaluation period, FNB originated 934 HMDA reportable loans within its AA for approximately \$46 million. In 1998, FNB ranked fourteen in HMDA reportable lending within their AA with a 2% market share.

During the evaluation period, FNB originated 263 small business loans for approximately \$18 million. In 1998, FNB ranked tenth in small business loans with a 3% market share. FNB did not make any small farm loans during the evaluation period.

The bank's average loan-to-deposit ratio since the last examination (past eight quarters) is 61%. This figure is well below the national peer average of 74% over the same period. FNB's loan-to-deposit ratio declined from 63% at December 31, 1997 to 59% at September 30, 1999. In addition, the gap between the bank and national peer group's loan-to-deposit ratio is widening. At December 31, 1997, the gap was 10 percentage points but has increased to almost 18 percentage points at September 30, 1999.

While the loan portfolio experienced almost 10% growth during 1998 and 5% growth during the first nine months of 1999, deposit growth has been very strong at 22% for the period from December 31, 1997 to September 30, 1999. Management attributes the deposit growth to the inflow of funds from customers of merged large banks. Deposit rates have not been raised to attract these

deposits. The growth in the loan portfolio was centered in real estate loans for 1998 (10%), and commercial loans for the first nine months of 1999 (37%).

See Table 1 in the Appendix section of this report for further details.

Geographical Distribution of Loans

Our analysis reflects good HMDA-related geographic distribution, and adequate small business loan distribution. An analysis of the bank's HMDA and small business loan distribution in the one low-income CT is not meaningful since there are limited owner-occupied housing units or businesses located in this CT.

FNB's HMDA-related geographic lending patterns are consistent with the owner occupied housing in the various CTs in the AA. Our analysis finds that close to 100% of HMDA-related loans are made within middle- and upper-income CTs which is considered reasonable since these tracts contain 99% of the AA's owner-occupied housing units as well as 98% of the population.

HMDA lending within moderate-income CTs is good when compared to the lending opportunities within such tracts.

FNB made 1.00% of their HMDA-related loans in the four moderate-income CTs compared to 1.00% of owner occupied housing units in these CTs. *See Tables 2-4 in the Appendix section of this report for further details on the geographic distribution of loans.*

FNB has good penetration in moderate-income CTs with their home improvement loan products and home mortgage refinance loans. Home improvement loans in an identified need in the AA. *Table 3 in the Appendix section* shows that 1.00% of all owner occupied housing units in the AA are in moderate-income CTs, and 1.00% of FNB's home improvement loans were made in these tracts. *Table 4 in the Appendix section* shows that 1.00% of all owner occupied housing units in the AA are in moderate-income CTs and that 1.00% of FNB's home mortgage refinance loans were made in these tracts.

FNB did not originate any home purchase loans in moderate-income CTs. This performance is adequate when considering that home purchase loans only represent 7% of the bank's home mortgage lending activities. The bank's market share for home purchase loans is less than 1% and only 1% of owner-occupied housing units are in moderate-income CTs. *Refer to Table 2 in the Appendix section.*

FNB's percentage of small business lending in moderate-income CTs is adequate when considering that 97% of businesses are located in middle and upper-income census tracts, and the strong competition for these loans. Small business loans

were made in the middle and upper income CTs where the significant majority of businesses are located. No small business loans were originated in moderate-income CTs.

Less than 3% of businesses are located in moderate-income census tracts. There are 537 businesses located in moderate-income CTs compared to the 22,000 businesses located in the assessment area. The ninety-four lenders in the assessment area made a total of 110 loans in moderate-income CTs. The top three lenders are very large financial institutions and account for 62 (57%) of the small business loans originated. The majority of all other lenders in the assessment area each only originated one small business loan in moderate-income CTs.

FNB made no loans to small farms during the evaluation period. *See Table 5 in the Appendix section of this report for further details on the geographic distribution of loans to small businesses.*

Lending Gap Analysis

We found no unexplained conspicuous gaps in the bank's lending patterns within their AA.

Inside/Outside Ratio

FNB originates a substantial majority of loans in its assessment area. During 1998 and 1999, over 99% of the number and dollar amount of total HMDA originations were within the assessment area. During 1998 and 1999, over 99% of the number and dollar amount of small business loan originations were within the assessment area.

Lending to Borrowers of Different Income Levels

Our review revealed good HMDA lending penetration to borrowers of different income levels including low- and moderate-income borrowers, and an adequate penetration to businesses by the income level of the borrower.

The HMDA lending penetration to moderate-income borrowers was excellent. During the evaluation period, 20% of total HMDA-related originations were to moderate-income borrowers. These percentages exceeded the percentage of moderate-income families (15%).

For all home mortgage loan products, the bank's best lending penetration to moderate-income borrowers is in home purchase loans. The bank significantly exceeded the percentage of moderate-income families in the assessment area.

FNB made 33% of their home purchase loans to moderate-income borrowers compared to the 15% of families being moderate-income. The bank's market share in lending to moderate-income borrowers for home purchase loans exceeded their overall market share. This reflects excellent performance in this category.

The percentage of home mortgage refinance and home improvement loans to moderate-income families is excellent. The percentage of lending in these two products exceeded the percentage of moderate-income families in the AA. Additionally, the market shares for both products are greater than the bank's overall market share.

FNB made 17% of their home mortgage refinance loans to moderate-income borrowers versus 15% of the families being moderate-income. The bank's market share in home mortgage refinance lending to moderate-income borrowers is 2.1% versus the overall market share of 1.3. %.

Nineteen percent of home improvement loans were made to moderate-income borrowers versus 15% of the moderate-income families within the AA. FNB's market share of 8.9% for home improvement loans to moderate-income borrowers exceeds its overall market share of 6.6%.

The HMDA lending penetration to low-income borrowers was good when considering the cost of housing in the AA compared to the income for a low-income borrower. The updated median family income in the AA is \$51,511. A low-income person has income of less than 50% of the median family income, which calculates to \$25,755. The average cost of housing, based on 1990 census data, is \$148,448, making it difficult for a low-income person to obtain a home.

During the evaluation period, 7% of total HMDA-related originations were to low-income borrowers. In comparison, 11% percent of total families are low-income.

The bank's best lending penetration to low-income borrowers is in home improvement loans, which is an identified credit need in the AA. FNB made 8% of their home improvement loans to low-income borrowers versus 11% of the families being low-income. The bank's market share in lending to low-income borrowers for home improvement loans exceeded their overall market share, 8.5% versus the overall market share of 6.6%. This reflects FNB's good performance in this category.

The percentage of home refinance, and home purchase loans to low-income families is good when considering the cost of housing and the income for a low-income borrower.

The bank originated 6% of their home mortgage refinance loans to low-income

borrowers versus 11% of the low-income families. FNB's market share of 2.1% for home mortgage refinance loans to low-income borrowers exceeds its overall market share of 1.3%.

FNB made 1% of their home purchase loans to low-income borrowers versus 11% of low-income families in the AA. The bank's market share in home purchase lending to low-income borrowers is close to its overall market share.

See Tables 7-9 in the Appendix section of this report for further details on Lending to Borrowers of Different Income Levels.

Lending to Small Businesses and Small Farms

FNB's lending to small businesses in the assessment area is adequate. Seventy-three percent of total businesses qualify as small businesses with revenues of \$1 million or less. FNB made 57% of their loans to small businesses during the evaluation period. FNB's level does compare favorably to the 46% of the market's loans to businesses with revenues of \$1 million or less. Market share for loans to small businesses is close to the market share for all business loans.

Additionally, the majority of all small business loans (84%) originated during the evaluation period were for less than \$100,000. The bank made no loans to small farms during the evaluation period.

See Tables 10-11 in the Appendix section of this report for further details on borrower distribution of small business and small farm loans.

Community Development Lending

FNB has an adequate level of community development lending, originating five loans totaling \$202,000 during the evaluation period. The bank supports a non-profit housing development corporation. The corporation primarily benefits low- to moderate-income families in the assessment area by addressing the problem of homelessness and the lack of affordable housing. The corporation operates a long-term transitional housing program for homeless families, permanent affordable rental housing subsidized and unsubsidized, and the sale of homes on a rent-to-buy program. The bank grants loans to the corporation for working capital needs and property acquisitions. FNB originated one loan for \$30,000 in 1998 and four loans for \$172,000 in 1999.

In addition, a letter of credit for \$18,104 was granted during 1999. The outstanding balances to the corporation at December 31, 1999 were \$302,964 and a letter of credit commitment of \$18,104.

See Table 1 in the Appendix section of this report for further details.

Product Innovation and Flexibility

FNB uses two flexible lending practices in order to serve the credit needs of its assessment area. Namely, the bank has a First-Time Homebuyer Program (First-Time) and a lower cost student loan program, called Keystone Rewards.

The bank initiated the First-Time program in March of 1995. The program benefits credit worthy first time home borrowers who are not able to meet the bank's regular mortgage requirements. Under this program, the applicant(s) must complete mortgage counseling by an outside counseling agency and have debt to income not greater than 38%. The maximum purchase price of the house cannot exceed \$167,500 and up to 95% financing is available. Private mortgage insurance is required for all loans with a loan-to-value greater than 80%. The bank has established maximum income levels dependent upon the size of the family, to qualify for the program. FNB has established an annual limit of \$1 million in loans for this program.

During the evaluation period, FNB extended 24 loans under this program for a total of \$2,239,900. The number of loans made in conjunction with this program as a percentage of all home purchase mortgage loans totaled 29% in 1998 and 23% in 1999. Total outstandings as of December 31, 1999 are \$3,886,000.

In July of 1997, the bank started offering student loans under Keystone Rewards (Keystone), a low cost Stafford Loan program for Pennsylvania higher education students. This program features lower up-front fees and a 2% interest rate savings after 48 consecutive payments. During the evaluation period, FNB extended loans totaling \$2,564,147 in 1998 and \$2,635,306 in 1999. This represented 93% and 92% of all student loans made in 1998 and 1999, respectively.

INVESTMENT TEST

The bank's performance under the Investment Test is rated "Low Satisfactory."

The bank has an adequate level of qualified investments, totaling \$1,528,168. There is an adequate response to credit and community development needs but only occasional use of innovative qualified investments.

Numerous opportunities to participate in community development investments exist in Bucks County. Qualified investments include a deposit, membership share, or grant that has as its primary purpose community development. Opportunities

include community organizations engaged in affordable housing rehabilitation and construction and creating facilities that promote community development in low- and moderate-income areas for low- and moderate-income individuals. Community development activists and management cited the southern portions of the County, such as Bristol and Morrisville as areas in need of affordable housing.

During the evaluation period, FNB purchased a \$1 million par value bond for \$994,500 issued by the Pennsylvania Housing Finance Agency (Agency). The bonds are issued to provide mortgage loans for low- to moderate-income borrowers throughout Pennsylvania. The bond is a Single Family Mortgage Revenue Bond. The Agency constitutes a public corporation and instrumentality created to promote the financing of housing for persons and families of low- and moderate-income and the elderly.

FNB also purchased during the evaluation period \$486,488 of a Fannie Mae Mortgage Pool. The bond is secured by mortgages granted to low- and moderate-income applicants within Pennsylvania. Two of the mortgages within the pool are within FNB's assessment area.

The two investment securities discussed above are at a statewide level that includes FNB's assessment area.

FNB made qualified contributions to ten not-for-profit organizations involved in affordable housing for low- or moderate-income individuals and/or community services targeted to low- or moderate-income individuals. Qualified grants during the evaluation period totaled \$27,020.

FNB provides office space at reduced rent for a non-profit community service organization, which provides credit counseling and homebuyer counseling for the First-Time HomeBuyer Program. The organization serves Bucks County. The discount during the evaluation period was \$20,160 based upon a comparison of market rents versus the lease payments.

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

SERVICE TEST

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

Retail Banking Services

FNB's branch delivery systems are accessible to geographies and individuals of

different income levels in the assessment area. FNB provides banking services throughout the entire assessment area with sixteen branch locations of which four are limited hour branches at retirement communities. Twenty-five percent of the branches are located in middle-income CTs with the remaining 75% located in upper-income CTs. The majority of low- and moderate-income households reside within middle- and upper-income CTs within the AA. Ninety-four percent of the low-income households and 96% of the moderate-income households are located in middle- and upper-income CTs.

FNB also offers twelve ATMs to its customers, with nine at branches and three cash dispensing machines at two of the retirement branches and one at a restaurant. Eleven branches are equipped with drive-in facilities.

As noted earlier in this evaluation, two new branches were opened in upper-income CTs during this evaluation period. One of the new branches opened in Warminster has improved the accessibility of services to a moderate-income CT. While the branch is located in an upper-income CT, the branch is readily accessible to a moderate-income CT, within 2 miles.

Office hours meet the convenience and needs of the entire community and include extended Friday hours at all locations. The rapid growth in the volume of new customers during the evaluation period evidences that the hours are meeting the needs of the community. Services do not vary in any way that inconveniences low- and moderate-income individuals living within the assessment area.

FNB offers a standard array of products and services appropriate for an institution of its size and capacity. The fee for the Visa Check or ATM card is a low \$1 per card per month for unlimited transactions. Consumer products include various demand deposit and savings plans priced to meet the needs of a variety of customers.

Please refer to Table 13 in the Appendix for more details on the bank's branch distribution.

Community Development Services

FNB provides a good level of community development services within its assessment area. This includes involvement by several officers and employees of FNB that benefit several community organizations.

An employee as a member of the Board of Directors provides financial and human resources expertise for a non-profit corporation that furnishes free housing for low-income citizens with mental retardation. In addition, the corporation provides job

training and work opportunities for the low-income citizens.

A senior executive, as a member of the Board of Directors, furnishes financial and marketing expertise to a non-profit organization that provides credit counseling and homebuyer counseling for the First-Time HomeBuyer Program primarily for low-and moderate-income individuals.

An employee, as a member of the Board of Directors, furnishes financial expertise in fundraising campaigns for a non-profit organization that provides after school care and camp for low- and moderate-income families.

Bank employees provide technical assistance in the annual fundraising function of a non-profit organization involved in providing affordable housing for sale or rent to homeless and low-income families. The assistance includes marketing and solicitation of donations.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term **AFull-Scope@**) and those that received a less comprehensive review (designated by the term **ALimited-Scope@**).

Time Period Reviewed	Lending Test: January 1, 1998 to December 31, 1999 Investment Test: January 10, 1998 to January 27, 2000 Service Test: January 10, 1998 to January 27, 2000	
Financial Institution		Products Reviewed
The First National Bank and Trust Company of Newtown (FNB) Newtown, Pennsylvania		HMDA Reportable Loans, Small Business Loans, Community Development Loans, Investments, and Services
Affiliate(s)	Affiliate Relationship	Products Reviewed
No affiliate products.	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Philadelphia MSA #6160 (Bucks County)	Full-Scope	None

Appendix B: Tables of Performance Data

Content of Standardized Tables

References to the **Abank@** include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

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

Table 1. Lending Volume - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.

Table 2. Geographic Distribution of Home Purchase Loans - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 3. Geographic Distribution of Home Improvement Loans - See Table 2.

Table 4. Geographic Distribution of Refinance Loans - See Table 2.

Table 5. Geographic Distribution of Small Loans to Businesses - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent

aggregate market data available.

Table 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

Table 1. Lending Volume

LENDING VOLUME		Evaluation Period: 01/01/1998 TO 12/31/1999										
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Rating Area Loans in AA (% of #)
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Scope												
FNB & T of Newtown	100.00	934	45,934	263	17,548	0	0	5	202	1,202	63,684	100.00

* Deposit data as of June 30, 1999.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE																Evaluation Period: 01/01/1998 TO 12/31/1999															
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	Upp	#	% of Total**															
Full Scope																															
FNB & T of Newtown	0	0	1	0	49	30	4950	70	59	0.4	0.0	0.0	0.3	0.4	69	100															

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

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1998 TO 12/31/1999						
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	Upp	#	% of Total**
Full Scope																
FNB & T of Newtown	0	0	1	1	49	39	4950	60	5	6.6	0.0	0.0	6.2	7.1	470	100

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

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1998 TO 12/31/1999							
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	Upp	#	% of Total**	
Full Scope																	
FNB & T of Newtown	0	0	1	1	49	43	4950	56	18	1.3	0.0	0.7	1.4	1.2	395	100	

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

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL BUSINESS																	Evaluation Period: 01/01/1998 TO 12/31/1999																
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	Upp	#	% of Total**																	
Full Scope																																	
FNB & T of Newtown	0	0	3	0	53	40	44	59	10	2.8	0.0	0.0	2.1	4.0	263	100																	

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

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL FARM																Evaluation Period: 01/01/1998 TO 12/31/1999															
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Loans Small Farm Loans																
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**															
Full Scope																															
FNB & T of Newtown	0	0	1	0	41	0	58	0	NA	NA	NA	NA	NA	NA	0	0															

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

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HMDA HOME PURCHASE										Evaluation Period: 01/01/1998 TO 12/31/1999						
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	Upp	#	% of Total
Full Scope																
FNB & T of Newtown	11	1	15	33	25	25	50	33	59	0.4	0.3	1.1	0.4	0.2	69	100

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

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

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1998 TO 12/31/1999						
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	Upp	#	% of Total
Full Scope																
FNB & T of Newtown	11	8	15	19	25	24	50	47	5	6.6	8.5	8.9	6.0	6.2	470	100

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.
 ** As a percentage of loans with borrower income information available.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1998 TO 12/31/1999						
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*					Total Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
FNB & T of Newtown	11	6	15	17	25	25	50	48	18	1.3	2.1	2.1	1.4	1.4	395	100

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.
 ** As a percentage of loans with borrower income information available.

Table10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL BUSINESS			Evaluation Period: 01/01/1998 TO 12/31/1999							
MSA/Assessment Area	Businesses With Revenues of \$1 million or less			% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*		Total Small Business Loans	
	% Business**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope										
FNB & T of Newtown	73	57	46	84	11	5	2.8	2.3	263	100

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

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

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

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL FARM										Evaluation Period: 01/01/1998 TO 12/31/1999	
MSA/Assessment Area	Businesses With Revenues of \$ 1million or less			% Distribution Loans by Original Amount Regardless of Farm Size			Market Share*		Total Small Farm Loans		
	% Farms**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total	
Full Scope											
FNB & T of Newtown	92	0	67	0	0	0	NA	NA	0	0	

* The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1998 Aggregate Small Business Data Only
 ** As a Percentage of Farms with known revenues.
 *** As a percentage of loans with borrower income information available.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		Evaluation Period: 01/10/1998 TO 01/27/2000							
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Scope									
FNB & T of Newtown	0	0	13	1,528	13	1,528	100	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that remains outstanding as of the examination date.
 ** "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".

Table13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																Evaluation Period: 01/10/1998 TO 01/27/2000			
MSA/Assessment Area	Deposits	Branches						Branch Openings/Closings						Population					
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Branch Closings	# of Branch Openings	Net gain(+) / loss(-) of branches due to openings/closings				% of the Population with Each Geography*					
				Low (%)	Mod (%)	Mid (%)	Upp (%)			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp		
Full Scope																			
FNB & T of Newtown	100.00	16	100.00	0.00	0.00	25.00	75.00	0	2	0.00	0.00	0.00	2	0.02	2.39	52.28	45.32		

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