

# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

November 1, 1999

## Community Reinvestment Act Performance Evaluation

Bank of Lancaster County, N.A.  
Charter Number: 42

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**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.

## Table of Contents

<b>General Information</b> .....	1
<b>Definitions and Common Abbreviations</b> .....	2
<b>Overall CRA Rating</b> .....	5
<b>Description of Institution</b> .....	6
<b>Scope of Evaluation</b> .....	7
<b>Fair Lending Review</b> .....	9
<b>Conclusions with Respect to Performance Tests</b>	
Lending Test .....	10
Investment Test .....	16
Service Test.....	18
<b>Appendix A: Scope of Evaluation</b> .....	A-1
<b>Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews</b> .....	B-1
<b>Appendix C: Tables of Performance Data</b> .....	C-1

## 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 **Bank of Lancaster County, N.A.** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of November 1, 1999. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include 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 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 **Bank of Lancaster County, N.A.** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Bank of Lancaster County, N.A. 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.

The major factors that support this rating include:

- < Lending levels reflect an excellent responsiveness to the assessment area's credit needs.
- < The geographic distribution of loans reflects a good penetration throughout the assessment area.
- < The distribution of borrowers reflects a good penetration among retail customers of different income levels and business customers of different sizes.
- < There is an adequate volume of qualified investments.
- < The bank's service delivery systems are accessible to geographies and individuals of different income levels in the assessment area.
- < The bank provides a good amount of community development services.

## Description of Institution

Bank of Lancaster County, N.A. (BLC) is an intrastate community bank with \$961 million in total consolidated assets as of September 30, 1999. It is headquartered in Strasburg, PA. BLC is a subsidiary of Sterling Financial Corp., a \$1 billion multibank holding company, located in Lancaster, PA. BLC has one operating subsidiary, Town and Country Inc., a commercial leasing company. Its unconsolidated assets as of September 30, 1999 are \$118 million. This subsidiary does not impact BLC's capacity to meet the community reinvestment needs of its assessment area.

BLC operates 29 full service offices and 1 limited service branch in the western portion of Chester County. The bank also has 26 automated teller machines throughout Lancaster County. In addition to providing a full range of commercial and personal banking products, BLC also offers trust services, discount brokerage services, and mutual funds. Major competitors include Fulton Bank, Sovereign Bank, and Farmers First Bank.

As of September 30, 1999, BLC's consolidated total loans are \$585 million, representing 61% of total assets. The loan portfolio consists of 42% commercial and commercial real estate loans, 34% residential real estate loans, 12% leases, 6% consumer installment loans, and 6% agricultural credits. Tier I capital as of September 30, 1999 is \$77 million. There are no legal or financial impediments, which would hinder the bank's ability to help meet the credit needs of its community. BLC received a satisfactory rating at their last CRA performance evaluation dated October 17, 1997.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the lending test covers loan activity from January 1, 1997 through December 31, 1998. Our review covered the following loan products: all HMDA reportable mortgage loans, small business and small farm loans, community development loans, and consumer loans, which were originated or purchased during the evaluation period. Consumer loans were reviewed at the request of the bank. For the investment and service tests, we considered qualified investment activity and their record of providing retail and community development services from November 1, 1997 through November 1, 1999.

### Data Integrity

We reviewed the accuracy of the bank's HMDA records and CRA data collection of small business loans. Our sample consisted of thirty HMDA records and twenty business loans from the CRA data. We reviewed the procedures and processes in place to collect the required information and internal procedures used to test the accuracy of the data. We determined that the information represented in the HMDA and CRA small business data is accurate for the period reviewed. Internal bank procedures to collect and verify the accuracy of information are satisfactory.

### Selection of Areas for Full-Scope Review

BLC has one assessment area which includes all of the Lancaster MSA and a small portion of Chester County. 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 more information.

### Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. BLC only has one assessment area and this area received a full-scope review.

### Other

During our exam, we contacted one housing organization and one community development group to discuss the credit needs and community development opportunities in Lancaster County. They indicated that the availability of affordable housing and affordable housing loan programs for low- and moderate-income residents are primary needs in the assessment area. Zoning restrictions and anti-growth sentiment in the area are barriers to affordable housing

development. The housing organization noted that community development investment opportunities are limited in Lancaster County because it is generally a very prosperous area. It has a diverse economic base and one of the lowest unemployment rates in the state, which tend to restrict the number of tax credit awards the county receives. However, the community development organization stated that there are several investment opportunities in the neighborhood they serve in the city of Lancaster.

We reviewed three community contacts made by our agency and other regulatory agencies during the past two years. These contacts included a government office, a community development group, and a neighborhood housing organization. They noted the need for affordable housing and more flexible loan programs. They also indicated that investment opportunities in Lancaster County are limited.

## **Fair Lending Review**

A fair lending examination was performed in conjunction with this CRA examination. We tested for discrimination on a gender basis by comparing loan terms of approved female borrowers to approved male borrowers for purchase money and refinanced mortgage loans. We selected a sample of 90 mortgage loans originated during 1998. We also reviewed bank policies and procedures used to comply with the requirements of the fair lending regulations. Our analysis detected no evidence of disparate treatment and found satisfactory systems in effect to support the bank's fair lending compliance efforts. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the Lending Test is rated high satisfactory. Based on the full-scope review, BLC's performance in their assessment area is good. BLC's mortgage and business lending performance were weighed more heavily than farm and consumer lending because these are primary loan products for the bank. Also, affordable housing loans are a primary credit need in the assessment area.

#### Lending Activity

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

BLC's lending levels reflect an excellent responsiveness to the assessment area's credit needs. We noted that they are ranked among the top lenders in the assessment area for each loan product. Additionally, they are ranked second in deposit market share in Lancaster County, with a deposit market share of 15.72%. Their performance for each loan type is discussed below.

#### Home Mortgage Loans

During the evaluation period, BLC originated a significant amount of home mortgage loans in the assessment area. Home mortgage refinance loans comprise the majority of BLC's total mortgage originations. They are ranked first in this product with a market share of 12.40%. They are also among the top ten lenders in the assessment area for home purchase and home improvement loans. Market share data for all mortgage products indicates they are ranked second out of 350 mortgage lenders in the assessment area with a market share of 9.50%. Their major competitors in this market are Fulton Bank and Sovereign Bank in addition to

several large mortgage companies.

#### Small Loans to Businesses

BLC has originated a large amount of small business loans. Market share data shows that they are ranked fifth out of 105 lenders with a market share of 5.40%. Two non-bank companies, Mountainwest Financial Corp. and American Express, control over 30% of the market. Their primary competitor in this market is Fulton Bank, which has a similar market share.

#### Small Loans to Farms

BLC has made a reasonable amount of small farm loans. This is not a primary loan product for BLC. Market share data shows that they are ranked fifth out of 19 lenders with a market share of 12.60%. The top six lenders comprise 85% of the market.

#### Consumer Loans

BLC originates a large volume of consumer loans. They originated 5,219 loans totaling almost \$53 million during the evaluation period. Loan types included in this category are motor vehicle, home equity, other secured, and other unsecured loans. The dollar volume of consumer loan originations comprises 68% of BLC's Tier I capital. There is no market share data available for this category, however comparing the volume to the bank's Tier I capital provides perspective on the significant size of this lending activity.

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

BLC's overall geographic distribution of lending reflects a good penetration throughout the assessment area. The distribution of each product is described below.

#### Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home purchase loan originations is good. The lending in low-income geographies is equal to the percentage of owner occupied housing in those areas. Also, the volume of lending in moderate-income tracts is very close to the percentage of owner occupied housing in that income category. BLC's market share in low- and moderate-income geographies are close to, but do not exceed, the overall home purchase loan market share.

The geographic distribution of home improvement lending is also good. As with

home purchase loans, the volume of loans in low-income geographies is equal to the amount of owner occupied housing in those tracts and lending in moderate-income tracts is close to the percentage of owner occupied housing in those areas. The market shares in both low- and moderate-income geographies exceed their overall home improvement loan market share.

The distribution of BLC's home refinance lending is good. The volume of loans in low-income geographies is equal to the amount of owner occupied housing in those areas while lending in moderate-income geographies is below the percentage of owner occupied housing in those tracts. The market shares in both low- and moderate-income geographies are below the bank's overall refinance market share. However, 1998 market share data shows that BLC is ranked third in home refinance lending in low-income areas and first in the volume of refinance loans in moderate-income tracts.

#### Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination and purchase of small loans to businesses.

BLC's geographic distribution of small business lending is good. The percentage of loans in low-income tracts is equal to the amount of businesses in those areas. Market share data indicates that the bank's small business market share in low-income areas is 0% based on 1998 data. However, this information does not include six loans totaling \$197 thousand that were originated in low-income tracts in 1997. The volume of lending in moderate-income tracts is slightly above the percentage of businesses in those areas. The bank's market share in moderate-income geographies is well above their overall market share.

#### Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

BLC's distribution of small farm loans by income level of the geography is adequate based on the assessment area demographics. No farms are located in low-income tracts and only 1% of the farms are located in moderate-income tracts. Aggregate 1998 CRA data for all lenders in the assessment area shows that only one loan was made in a moderate-income geography. The bank did not originate any small farm loans in low- or moderate-income areas during the evaluation period.

#### Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

We compared the bank's distribution to the percentage of the population located in each income level of geography. BLC's geographic distribution is adequate. The volume of loans in low-income geographies is close to, but does not exceed, the percentage of the population living in those tracts.

The bank's record of lending in moderate-income tracts is slightly below the percentage of the population in those areas. There is no market share data available to compare BLC's performance to other lenders in the area.

#### Lending Gap Analysis

There are no gaps in BLC's mortgage or consumer lending patterns. Also, there are no unexplained conspicuous gaps in BLC's small business and small farm lending.

#### Inside/Outside Ratio

BLC originated a substantial majority of its lending in the assessment area. The volume of loans made in the assessment area during the evaluation period is as follows: home mortgage loans - 96.66%, small business loans - 96.31%, small farm loans - 89.53%, and consumer loans - 89.21%. The Inside/Outside ratio analysis was factored into our geographic distribution analysis and indicates that BLC is very responsive to all income segments in the assessment area.

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

BLC's overall borrower distribution reflects a good penetration among retail customers of different income levels and business customers of different sizes.

#### Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Our analysis revealed that lending to low-income borrowers for all mortgage products is below the percentage of low-income families in the assessment area. Information received from community contacts and other sources of demographic information indicated that the high cost of housing in Lancaster County is prohibiting low-income residents from achieving home ownership. The median housing value in the assessment area is \$89,322 while a low-income person's salary, based on the updated median family income, is approximately \$24 thousand per year. Fifteen percent of the families in the assessment area are low-income and 7% of the households are below the poverty level. Given this information, BLC's lending to low-income borrowers is still considered good. The bank's record of lending for each mortgage product is described below.

The borrower distribution of home purchase lending is good. BLC's record of lending to moderate-income borrowers is close to the percentage of moderate-income families while lending to low-income borrowers is below the percentage of low-income families in the assessment area. The market shares of both low- and moderate-income borrowers are close to their overall market share for home purchase loans.

The distribution of home improvement lending is good. The bank's lending to moderate-income borrowers is close to the percentage of moderate-income families in the area. The volume of loans to low-income borrowers is below the percentage of low-income families in the assessment area. The market shares for low- and moderate-income borrowers are close to the bank's overall home improvement market share. Market share data shows that BLC is ranked third in home improvement lending to low-income borrowers and second in lending to moderate-income borrowers. Also, BLC's performance is similar to all lenders in the market. Aggregate 1998 HMDA data shows that home improvement lending by all lenders in the assessment area is 8% to low-income borrowers and 17% to moderate-income borrowers.

BLC's borrower distribution of home refinance lending is also good. The bank's record of lending to low- and moderate-income borrowers in comparison to the percentage of families in the area is the same as described above for both home purchase and home improvement lending. BLC's market shares for low- and moderate-income borrowers are above their overall market share for home refinance lending. BLC is ranked number one in home refinance lending to both low- and moderate-income borrowers. The bank's distribution of refinance lending is also similar to all lenders in the assessment area in 1998 who had a record of lending 5% and 16% to low- and moderate-income borrowers, respectively.

#### Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

We analyzed the bank's distribution of small business loan originations by calculating the percentage of loans made to small businesses. BLC's record was compared to the percentage of small businesses in the assessment area and to the percentage of small business loans made by all lenders in the assessment area. We also evaluated BLC's distribution of loans by original amount regardless of business size.

The distribution of small business loans is good. BLC's percentage of loans to small businesses exceeds the volume of loans made to small businesses by all

lenders in the area. It is close to the amount of small businesses located in the area. The distribution by size of loan shows that a significant majority of the loan originations are for \$100 thousand or less, with an average size of \$82 thousand. This is another indication that BLC's business lending is primarily to small businesses. BLC's market share of lending to small businesses exceeds its overall small business loan market share.

### Small Loans to Farms

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

We analyzed the bank's distribution of small farm loan originations by calculating the percentage of loans made to small farms. BLC's record was compared to the percentage of small farms in the assessment area and to the percentage of small farm loans made by all lenders in the assessment area. We also evaluated the bank's distribution of loans by original amount regardless of farm size.

BLC's distribution of small farm lending is good. The percentage of loans to small farms is slightly above the amount of loans made to small farms by all lenders in the area. It is also similar to the percentage of small farms located in the area. The bank's distribution by loan size indicates that a large majority of the originations are for \$100 thousand or less, with an average size of \$43 thousand. BLC's market share of lending to small farms is similar to their overall small farm loan market share.

### Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

We compared the bank's distribution of consumer lending to the percentage of low, moderate, middle, and upper income households in the assessment area. The distribution of BLC's consumer loans is excellent. The percentage of loans to low-income borrowers is very close to the percentage of low-income households. Also, the volume of loans to moderate-income borrowers exceeds the percentage of moderate-income households in the area.

## **Community Development Lending**

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

BLC has not originated any community development loans during the evaluation period, which meet the definition of community development according to the

regulation. However, the bank has made several small business loans that have community development purposes. These loans are included in BLC's CRA small business loan data. BLC is the primary bank for an organization that provides new and rehabilitated housing to elderly and low- and moderate-income families. During the evaluation period, credit extensions to this organization included an increase in an operating line of credit and three letters of credit for affordable housing projects.

### **Product Innovation and Flexibility**

BLC makes limited use of flexible loan programs to serve the mortgage credit needs of the assessment area. Among these are three affordable gold mortgage programs offered through Freddie Mac and one affordable mortgage program through the Lancaster Housing Opportunity Partnership (LHOP). These provide the borrower with low down payment requirements and closing cost assistance loans from LHOP. These products are available only to low- and moderate-income borrowers. The bank originated seven loans totaling \$645 thousand during the evaluation period. BLC also participates in the Guaranteed Rural Housing Program. This allows financing up to 100% of the home purchase price for rural low- and moderate-income borrowers. The bank originated 4 loans totaling \$391 thousand during the evaluation period.

BLC is also one of eight banks that recently formed the Lancaster Loan Consortium. Each bank has committed \$120 thousand annually to fund purchase money mortgages to low- and moderate-income first time homebuyers in the City of Lancaster. The Federal Home Loan Bank will provide down payment assistance loans under its Affordable Housing Program. This program began in October 1999 and no loans have been extended yet.

## **INVESTMENT TEST**

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

The bank's performance under the Investment Test is rated low satisfactory. Based on the full-scope review, BLC's performance in their assessment area is adequate.

Investment opportunities overall in Lancaster County are limited. The housing organization we contacted indicated that the strong economy in the area reduces the number of community development opportunities available. Specifically, the number of tax credit awards are limited. Additionally, strong competition is a

factor in limiting opportunities. Previous community contacts noted that there are not enough opportunities in the assessment area for all the banks to participate. We also reviewed other local banks' CRA Performance Evaluations. These banks have invested in similar types of investments and the evaluations noted that opportunities were limited. The neighborhood community development group we contacted mentioned that there are opportunities in the southeast section of the city of Lancaster to invest in tax credits and most banks in the area participate, including BLC.

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

As of the examination date, BLC has an adequate volume of qualified investments and grants, given the limited opportunities. Additionally, the majority of the dollar amount of qualified investments are from prior periods and does not reflect significant investment activity in the current rating period. The types and dollar amounts of qualified investments are as follows:

1. Equity Investments	\$1,315,898
2. Community Grants and Donations	\$ 66,000
3. Property Donation	\$ 16,870
4. Economic Development Investment	<u>\$ 25,000</u>
	\$1,424,368

1. The equity investments include four projects to build low-income rental units, townhouses, and apartment buildings.
2. The community grants are qualifying donations to affordable housing, economic development, and community service organizations in the assessment area. For example, donations were made to organizations that provide affordable housing to low- and moderate-income families, to a neighborhood organization that purchases and rehabilitates houses in a low-income neighborhood in Lancaster, and to a group that provides training, mentoring, and small loans for start up small businesses in low- or moderate-income areas.
3. In October 1998, BLC donated an other real estate owned property located in Lancaster to a HUD approved housing and credit-counseling agency that primarily serves low- and moderate-income families.
4. BLC was the first investor to invest funds in an organization that is designed to fund and support economic development via small business loans, business training, and mentoring services to low- and moderate-income individuals and businesses located in low- and moderate-income areas.

These investments exhibit an adequate responsiveness to the primary needs in the assessment area. Local community organizations and other economic and demographic resources indicate that affordable housing is a major concern in the area. Ninety-seven percent of BLC's investments are for affordable housing purposes.

BLC also has made a commitment to invest \$30 thousand in a community service organization that primarily benefits low- and moderate-income individuals by offering financial management services to residents of Lancaster City and County to achieve personal and financial independence. The investment will be used to evaluate the organization's current financial management services and upgrade the computer system.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated high satisfactory. Based on the full-scope review, BLC's performance in the assessment area is good.

### **Retail Banking Services**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

BLC's service delivery systems are accessible to geographies and individuals of different income levels in the assessment area. The bank operates 29 full service offices, and 1 limited service drive-up facility. The breakdown by income level of geography is as follows: 0 in low-income census tracts, 2 in moderate-income tracts, 24 in middle income tracts, and 4 in upper income tracts. The two offices located in moderate-income tracts are in the city of Lancaster on North Duke Street and East King Street. These areas border the two low-income census tracts in the city. The office on Duke Street is within walking distance for most of the low-income area. At the farthest point, the low-income area is 14 blocks from this branch. Due to the small size of the census tracts in the city, this office also serves two contiguous moderate-income tracts. The King Street office is also easily accessible to another adjacent moderate-income geography, where two low-income housing projects are located. These housing projects are within one half mile from the branch. BLC's branch network makes financial services available to the low- and moderate-income portions of the assessment area.

Most of the full service offices, including one of the branches in a moderate-

income area, have extended hours on Thursday and Friday nights and are open on Saturdays. Office hours at some branches vary, but typical lobby hours are 9 AM to 3 PM Monday through Wednesday, 9AM to 6PM Thursday and Friday, and 9 AM to 12 PM on Saturdays. The hours of operation for the retirement community offices are tailored to meet the needs of the residents. Those offices offer a full range of services but are open only to residents of the communities. During the evaluation period, BLC closed one branch in a middle-income tract and opened two offices in retirement communities. One branch was in a middle-income census tract and one was in an upper-income tract. The branch closing did not adversely affect the accessibility for any low- or moderate-income geographies or individuals. This office was in Elizabethtown, which is located in the western corner of Lancaster County and is surrounded by middle income geographies.

BLC has 23 automated teller machines (ATMs) located at branch offices and 3 stand-alone machines. The offsite ATMs are located at a grocery store, Dutch Wonderland, and BLC's administrative service center. Since the last exam, they have opened 6 ATMs. One is in a moderate-income tract at the branch on Duke Street, four in middle-income tracts, and one in an upper-income tract. The total breakdown by income level of geography is 0 in low-income census tracts, 2 in moderate-income tracts, 21 in middle-income tracts, and 3 in upper-income tracts. Seven ATMs in the city of Lancaster are bilingual, offering a Spanish language option, to serve the growing Hispanic population in the city.

BLC offers two alternative delivery systems through their Direct Banking Department. They offer Direct Line telephone banking and BLC Online Internet banking. The Direct Line system provides telephone access to open accounts, apply for loans, transfer funds, and check balances. BLC Online began offering consumer loan applications in December 1997 and online banking was offered in December 1998. Management maintains documentation that illustrates how these alternative delivery systems serve low- and moderate-income customers and geographies. We reviewed the distribution of consumer loans originated in 1998 and 1999 by the direct banking department. This includes both telephone banking and online banking. BLC's borrower distribution of these consumer loans is 14% and 17% to low- and moderate-income borrowers, respectively. The geographic distribution is 1% and 6% to low- and moderate-income geographies, respectively. These alternative delivery systems provide good accessibility to financial services for low- and moderate-income geographies and individuals.

### **Community Development Services**

BLC provides a good level of community development services. Bank employees/officers participate in or have leadership roles in 15 community organizations. Seven of these organizations are affordable housing groups, five are economic development groups, and three are community service organizations.

They use their financial expertise and banking knowledge to review loan applications, budgets, and financial statements for these groups. The following are examples of the types of participation.

- **Sunnyside Housing Corporation** - This organization helps low- and moderate-income families in Lancaster County obtain and maintain affordable housing. One bank employee serves on the finance committee of this group. He reviews home buyer applications and credit reports. He also works on the budget and makes recommendations for cash flow and expenditures for projects.
- **Tabor Community Services** - It is a HUD approved housing and credit counseling agency in Lancaster. They provide both rental and home ownership for low- and moderate-income families. One bank officer is the chairman of the housing advisory committee that monitors all the housing programs. He has used his banking knowledge to determine the qualifications for mortgage loans.
- **Lancaster Housing Opportunity Partnership (LHOP)** - This community organization facilitates and promotes the expansion of affordable housing through out Lancaster County. One bank officer serves on the finance committee. He assists in preparing budgets, reviewing financial statements, and making financial recommendations.
- **Lancaster Housing Consortium** - This group consists of non-profit organizations, with the support of businesses, government, religious groups, and individuals. Its goal is to maximize the cooperation of the member organizations in order to reduce homelessness, poverty, and substandard housing. This group may provide donated materials, volunteer labor, social service support, or technical assistance to affordable housing projects. One bank officer's role in this organization is to provide information on loan programs that are available to first time homebuyers.
- **City of Lancaster Redevelopment Authority** - The goal of this organization is to facilitate economic redevelopment and revitalization in low- and moderate-income areas, in the city of Lancaster. One bank officer is involved in the authority in several ways. He reviews buyer proposals for the Blighted Property Program that involves selling condemned properties back to the community. He also analyzes projects for the Tax Increment Financing Program, which allows commercial developers to use income to reduce debt rather than pay increased taxes. Finally, he reviews state grant applications for developers who are building in the city.
- **Lancaster Chamber of Commerce Ag Committee** - This committee is involved in establishing the curriculum for the Farm Financial Management School, which primarily benefits small farmers. The school includes ways for farmers to

increase income and improve efficiencies. One bank officer is the chairman of this school and he has assisted in determining the banking and financial portions of the training.

During the evaluation period, a mortgage lender was an instructor for the credit classes given by the LHOP in conjunction with the first time homebuyer loan programs. These loan programs are for low- and moderate-income borrowers. The potential borrowers are required to attend this training in order to be eligible for the loan.

## 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@**).

<b>Time Period Reviewed</b>	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: November 1, 1997 to November 1, 1999 Service Test: November 1, 1997 to November 1, 1999	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Bank of Lancaster County, N.A. (BLC) Lancaster, PA		Residential mortgages, small business loans, small farm loans, consumer loans, community development loans.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Lancaster MSA (#4000)/Chester Co.	Full Scope	None

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

**Market Profiles for Areas Receiving Full-Scope Reviews**  
Lancaster MSA/Chester County .....B-2

**Lancaster MSA/Chester County**

Demographic Information for Full-Scope Area: Lancaster MSA/Chester County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	101	2%	11%	80%	7%	0%
Population by Geography	436,076	2%	8%	82%	8%	0%
Owner-Occupied Housing by Geography	108,343	1%	6%	84%	9%	0%
Businesses by Geography	18,109	1%	9%	81%	9%	0%
Farms by Geography	1,575	0%	1%	95%	4%	0%
Family Distribution by Income Level	116,619	15%	19%	29%	37%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	40,277	3%	13%	79%	5%	0%
Median Family Income	= \$38,076	Median Housing Value				= \$89,322
HUD Adjusted Median Family Income for 1999	= \$48,526	Unemployment Rate (Lancaster County, October 1999)				= 2.5%
Households Below the Poverty Level	= 7%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 U.S. Census, and 1999 HUD updated MFI.

Description of Assessment Area

BLC has one assessment area consisting of all 94 CTs in Lancaster County which comprises the whole Lancaster MSA (MSA 4000) and 7 CTs in the western portion of Chester County that is contiguous to Lancaster County. Chester County is part of the Philadelphia MSA (MSA 6160). This is not considered a separate assessment area because it comprises only a very small portion of MSA 6160. For example, this section of Chester County includes 0.36% of the total population and 0.73% of the total census tracts in MSA 6160. This assessment area meets the requirements of the regulation. It does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies.

There are 2 low-income CTs and 11 moderate-income CTs in the assessment area. Both low-income areas and 9 moderate-income tracts are within the city of Lancaster. These areas are in the southeast section of the city and are relatively small in size. The average area of these census tracts is 6 blocks by 9 blocks.

BLC operates 29 offices and 26 ATMs in Lancaster County and 1 limited service office in Chester County. Major competitors in the area include Fulton Bank and Farmers First Bank, both local large community banks, and branches of Sovereign Bank, a much larger regional institution.

As of October 1999, the unemployment rates for both Lancaster and Chester Counties are 2.5%. This is below the state average 3.8%. The major employers in Lancaster County are Armstrong World Industries Inc., R R Donnelley & Sons

Company, and Lancaster General Hospital. It is also one the largest agricultural areas in the state. The major employers in Chester County are The Vanguard Group Inc., QVC Network Inc., and the county of Chester.

The demographic information for the assessment area shows that housing is not easily affordable for low-income residents. Low-income in the assessment area is defined as a family income of less than \$24 thousand per year. Seven percent of the households in the assessment area are below the poverty level and 25% of the households receive social security. The median housing value in the area is \$89,322 and 8% of homeowners pay greater than 30% of their income for housing.

#### Community Credit Needs

We contacted one housing organization and one community development group to discuss credit needs in Lancaster County. The groups indicated that the availability of affordable housing and affordable housing loan programs for low- and moderate-income residents are primary needs in the assessment area. Zoning restrictions and anti-growth sentiment in the area have been barriers to affordable housing development. Local housing and community development organizations contacted during other CRA exams also mentioned the need for more affordable housing and more flexible loan products.

We reviewed a summary of the Lancaster Consolidated Plan for 1995 that noted similar needs in the area. There is a lack of available affordable housing in the county. They determined that the high cost of housing restricts low- or moderate-income individuals from attaining home ownership.

#### Community Development Opportunities

The community contacts gave insight into the community development opportunities in Lancaster County. The housing organization that we contacted noted that community development investment opportunities are limited because it is generally a very prosperous area. It has a diverse economic base and one of the lowest unemployment rates in the state, which tend to restrict the number of tax credit awards they receive. The community development organization that we contacted stated that there is a sufficient amount of tax credit opportunities in the neighborhood they serve in the city of Lancaster. BLC regularly purchases tax credits from this group. Several prior community contacts noted that there weren't enough opportunities for all the financial institutions to participate.

We reviewed several CRA Performance Evaluations for other local banks that operate in Lancaster County. They all indicate that community development opportunities are limited because of the low number of low/moderate-income areas and the good economy in Lancaster County. BLC's peer banks have similar records for community development lending and investments. One evaluation

noted that the Housing Development Corporation (HDC), which is a leader in low- and moderate-income housing in Lancaster, only structured six low-income housing tax credit projects since 1990. BLC has equity investments in several of these projects. Additionally, a local community development organization has annual tax credit projects through a neighborhood assistance program. BLC regularly purchases tax credits from this organization.

## Appendix C: Tables of Performance Data

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

**Table 1. Lending Volume**

LENDING VOLUME													State: PA	Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans(#) in MSA/AA			
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)				
Full-Scope:															
Lancaster MSA/Chester County	100%	3,297	201,985	1,121	82,227	308	13,729	0	0	4,726	297,941	100%			

\* Deposit data as of June 30, 1998

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

Geographic Distribution: HOME PURCHASE																State: PA	Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans			
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**		
Full-Scope:																		
Lancaster MSA/Chester County	1.00	1.00	6.00	5.00	84.00	83.00	9.00	11.00	8	3.70	2.60	2.50	3.80	3.40	568	100%		

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

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

Geographic Distribution: HOME IMPROVEMENT																State: PA		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans				
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
Lancaster MSA/ Chester County	1.00	1.00	6.00	5.00	84.00	86.00	9.00	7.00	2	15.60	20.00	15.70	15.80	13.80	713	100%			

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

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

Geographic Distribution: HOME MORTGAGE REFINANCE																State: PA		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans				
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
Lancaster MSA/Chester County	1.00	1.00	6.00	3.00	84.00	86.00	9.00	10.00	1	12.40	6.80	9.40	12.80	10.70	2,016	100%			

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES										State: PA		Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Lancaster MSA/Chester County	1.00	1.00	9.00	10.00	81.00	78.00	9.00	11.00	5	5.40	0.00	8.20	7.80	1.90	1,121	100%

(\*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.  
 (\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

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

Geographic Distribution: SMALL LOANS TO FARMS										State: PA		Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Lancaster MSA/Chester County	0.00	0.00	1.00	0.00	95.00	98.00	4.00	2.00	5	12.60	0.00	0.00	13.00	5.10	308	100%

(\*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.  
 (\*\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE																	State: PA		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans					
	% of Families	% Bank Loans*	% of Families	% Bank Loans*	% of Families	% Bank Loans*	% of Families	% Bank Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***				
Full-Scope:																				
Lancaster MSA/Chester County	15.00	6.00	19.00	17.00	29.00	31.00	37.00	46.00	8	3.70	2.90	2.80	3.90	4.70	568	100%				

(\*) As a percentage of loans with borrower income information available. No information was available for 6.7% of loans originated and purchased by the bank.  
 (\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

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

Borrower Distribution: HOME IMPROVEMENT																	State: PA		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home 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:																				
Lancaster MSA/Chester County	15.00	8.00	19.00	15.00	29.00	31.00	37.00	46.00	2	15.60	11.70	14.40	15.70	17.30	713	100%				

(\*) As a percentage of loans with borrower income information available. No information was available for 0.40% of loans originated and purchased by the bank.  
 (\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE																
State: PA																
Evaluation Period: January 1, 1997 to December 31, 1998																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% Bank Loans*	% of Families	% Bank Loans*	% of Families	% Bank Loans*	% of Families	% Bank Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Lancaster MSA/Chester County	15.00	6.00	19.00	16.00	29.00	31.00	37.00	47.00	1	12.40	15.80	12.80	13.50	14.00	2,016	100%

(\*) As a percentage of loans with borrower income information available. No information was available for 4.5% of loans originated and purchased by the bank.  
 (\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES											
State: PA											
Evaluation Period: January 1, 1997 to December 31, 1998											
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size (% of #)			Market Share****		Total Small Loans to Businesses		
	% of Businesses*	% Bank Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total*****	
Full-Scope:											
Lancaster MSA/Chester County	88.00	70.90	54.00	83.00	11.00	6.00	5.40	7.70	1,121	100%	

(\*) As a percentage of businesses with known revenues.  
 (\*\*) As a percentage of loans with revenue information available. No information was available for 1.6% of loans originated by Bank.  
 (\*\*\*) The market consists of all Small Business reporters in the MSA/AA and is based on 1998 Aggregate Small Business Data only.  
 (\*\*\*\*) Based on 1998 Aggregate Small Business Data only.  
 (\*\*\*\*\* Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

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

Borrower Distribution: SMALL LOANS TO FARMS State: PA Evaluation Period: January 1, 1997 to December 31, 1998										
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size (% of #)			Market Share****		Total Small Farm Loans	
	% of 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:										
Lancaster MSA/Chester County	97.30	94.80	94.20	91.00	6.00	3.00	12.60	12.50	308	100%

(\*) As a percentage of farms with known revenues.  
 (\*\*) As a percentage of loans with revenue information available. No information was available for 0% of loans originated by the bank.  
 (\*\*\*) The market consists of all Small Farm reporters in the MSA/AA and is based on 1998 Aggregate Small Farm Data only.  
 (\*\*\*\*) Based on 1998 Aggregate Small Farm Data only.  
 (\*\*\*\*\* ) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: PA Evaluation Period: November 1, 1997 to November 1, 1999										
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**		
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$	#	\$ (000's)	
Full-Scope:										
Lancaster MSA/Chester County	5	1,341	25	83	30	1,424	100%	0	0	

(\*) **P**rior Period Investments@means investments made in a previous evaluation period that are outstanding as of the examination date.  
 (\*\*) **U**nfunded Commitments@means legally binding investment commitments reported on the Report of Condition Schedule-L **A**Off Balance Sheet Items. @

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																		State: PA		Evaluation Period: November 1, 1997 to November 1, 1999			
MSA/Assessment Area:	Deposits		Branches					Branch Openings/Closings							Population								
	% of Rated Area Deposits in MSA/AA	# of Bank Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography									
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp						
Full-Scope:																							
Lancaster MSA/Chester County	100%	30	100%	0.00	6.70	80.00	13.30	1	2	0	0	0	+1	1.60	8.40	81.50	8.50						

**Table 14. Geographic and Borrower Distribution of Consumer Loans (Optional)**

Geographic and Borrower Distribution: CONSUMER LOANS																		State: PA		Evaluation Period: January 1, 1997 to December 31, 1998			
MSA/Assessment Area:	Geographic Distribution								Borrower Distribution														
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Total Consumer Loans						
	% of Pop*	% Bank Loans	% of Pop*	% Bank Loans	% of Pop*	% Bank Loans	% of Pop*	% Bank Loans	% of Hshlds	% Bank Loans**	% of Hshlds	% Bank Loans**	% of Hshlds	% Bank Loans**	% of Hshlds	% Bank Loans**	#	% of Total***					
Full-Scope:																							
Lancaster MSA/Chester County	1.60	0.60	8.40	5.50	81.50	85.30	8.50	8.60	19.80	19.00	17.50	24.60	24.00	27.30	38.70	29.10	5,219	100%					

(\*) The percentage of the population in the MSA/assessment area that resides in these geographies.

(\*\*) As a percentage of loans with borrower income information available. No information was available for 3.68% of loans originated by Bank.

(\*\*\*) Consumer loans originated and purchased in the MSA/AA as a percentage of all consumer loans originated and purchased in the rated area.