



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## ***Public Disclosure***

August 19, 2002

# ***Community Reinvestment Act Performance Evaluation***

**Blue Ball National Bank  
Charter Number: 8421**

**1060 Main St., P.O. Box 580  
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**NOTE:** This document is an evaluation of this 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. 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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## Overall CRA Rating

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

The following table indicates the performance level of **Blue Ball National Bank (BBNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Blue Ball National Bank 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:

- BBNB lending levels reflects good responsiveness to community credit needs.
- A substantial majority (88%) of loans are made within the bank's assessment area.
- The geographic distribution of home mortgage loans and small loans to businesses reflect adequate penetration within the assessment area and a good distribution of loans among borrowers of different income levels.
- BBNB has an excellent distribution of small loans to farms and a good distribution of small loans to businesses. Additionally, there is a good distribution of small size business loans and small size farm loans (loans less than \$100,000).
- Community Development lending and flexible lending products had a positive impact on the Lending Test.
- There is a good level of qualified investments, donations and grants.
- BBNB's service delivery systems are reasonably accessible to geographies and individuals of different income levels in the assessment area.
- Services are tailored to meet identified needs including having bilingual employees at certain branch sites.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**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 area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited 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, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. 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 Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

Blue Ball National Bank (BBNB) is an intrastate community bank headquartered in Blue Ball, Pennsylvania, with total assets of \$955 million as of June 30, 2002. BBNB is a full service bank offering a wide array of commercial and personal banking products. The bank also provides personal and corporate trust and agency services to individuals and corporations. The bank has one operating subsidiary, PennRock Insurance Group, Inc., an insurance agency, which is engaged in the sale of annuities and other types of insurance. This subsidiary does not adversely impact the bank's ability to meet the community reinvestment needs of the assessment area (AA).

BBNB is the principal subsidiary of PennRock Financial Services Corporation (PennRock), a bank holding company with total consolidated assets of \$965 million as of June 30, 2002. PennRock is headquartered in Blue Ball, PA. The holding company also operates The National Advisory Group (National). National, which was acquired on March 19, 2001, is the parent company of four corporations engaged in asset management and retirement plan administration services throughout southeastern Pennsylvania, New Jersey and Delaware.

BBNB operates 17 full-service branch offices in Lancaster, Berks and Chester Counties in southeastern and south-central Pennsylvania. Eleven branch offices are located in Lancaster County - MSA 4000, four branch offices are in Berks/Reading County - MSA 6680 and two branch offices are in Chester County, which is part of the Philadelphia MSA 6160. Sixteen branch offices are equipped with automatic teller machines (ATMs) and three free standing ATMs are located in the AA. The bank operates one branch office located within a senior citizen home. Similar services are provided at this location, but office hours are limited. Each branch office, except for the Fairmount Home office location, has drive-up facilities. During the review period, BBNB opened three new branch locations. Two offices are located in upper-income geographies (Mt. Penn and Rohrerstown Road) and one office is located in a middle-income geography (Ephrata). No branches were closed during the evaluation period.

The financial services industry in the bank's service area continues to be extremely competitive, both among local commercial banks (Fulton Bank, Bank of Lancaster County, Sovereign Bank, Farmers First Bank and Ephrata National Bank), mortgage companies (North American Mortgage Company, National City Mortgage Company, Wells Fargo Home Mortgage, Cendant Mortgage and Countywide Home Loans), as well as other financial service providers such as thrifts, investment companies and credit unions. Insurance companies, brokerage companies, financial affiliates of commercial companies, and government agencies also provide competition for loans and other financial services.

BBNB remains a community bank with a primary focus on serving the needs of Lancaster, Berks and Chester Counties. As of June 30, 2002, BBNB had total loans and leases of \$571 million, representing 59% of total assets. Total deposits were \$715 million. The loan portfolio is primarily centered in commercial and commercial real estate loans, which comprised 60.4%, or \$345 million of the loan portfolio. Residential mortgage loans accounted for 26.9%, or \$154 million of the loan portfolio. The bank sells a majority of the fixed-rate mortgage loans it originates to either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. During 2001 and 2000, the bank sold \$57.8 million and

\$23.4 million, respectively, in residential mortgage loans. The remaining loan portfolio consisted of the following: 8.1% or \$46 million in construction/development loans, 2.1% or \$12 million in consumer loans and 2.5% or \$14 million in agriculture loans, lease financing and other loans. Tier 1 capital as of June 30, 2002 was \$76 million.

There are no financial or legal impediments to hinder BBNB's ability to help meet the community's credit needs. BBNB's last CRA Performance Evaluation was dated June 7, 1999 and the overall rating assigned was **Satisfactory**.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the Lending Test is January 1, 1999 through December 31, 2001. CRA data reviewed for this evaluation covered the following loan products: all Home Mortgage Disclosure Act (HMDA) reportable mortgage loans (i.e. home purchase, home refinance, home improvement and multifamily loans), small business loans, small farm loans, and community development loans that were originated or purchased during the evaluation period. All products were given equal weighting in determining our final ratings. The Investment and Service Tests were evaluated based upon qualified investment activity and the bank's record of providing retail and community development services from June 8, 1999 through August 19, 2002.

### Data Integrity

As part of this CRA evaluation, publicly filed information for HMDA reportable loans and loans to small businesses and small farms were tested for accuracy. Our sample consisted of HMDA records, small business and small farm loans from the CRA data. Overall, the data integrity is sufficiently accurate for purposes of this CRA review.

Community Development (CD) loans, investments and services submitted by management were also verified to ensure that they met the regulatory definition for community development.

### Selection of Areas for Full-Scope Review

BBNB has one AA, consisting of a portion of three different Metropolitan Statistical Areas (MSA). The MSAs are the Lancaster MSA (#4000), the Berks/Reading MSA (#6680), and the Philadelphia MSA (#6160). The AA includes parts of Lancaster, Berks and Chester Counties, which is part of the Philadelphia MSA. The bank revised its AA in October 1999 as a result of the opening of a new branch (Rohrerstown Road) in the City of Lancaster. The AA is currently comprised of 170 census tracts (CTs), eight more than the 162 CTs in the previous AA. Forty-nine percent (84 CTs) of the AA is located in the Lancaster MSA, 34% (58 CTs) is located in the Berks/Reading MSA and 16% (28 CTs) is located in Chester County, which is part of the Philadelphia MSA.

We selected the portions of the bank's AA located in the Lancaster MSA and Berks/Reading MSA for a full-scope review as these areas represent significant markets in which the bank operates. The full-scope area comprises 90.3% of the bank's lending activity and our ratings are based on the results of this review. Accordingly, a limited-scope review will be performed on the Chester County portion of the bank's AA. Please refer to Appendix B for additional information regarding the market profile of the AA.

### Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. When determining overall conclusions for the Lending Test, home mortgage products and small business lending activities were given more weight as they represent the primary loan

products for the bank. Housing for low-and moderate-income individuals and small business loans are primary needs in the bank's AA. Community development lending had a positive impact on the Lending Test rating and received a significant amount of consideration in our analysis.

## **Other**

During our examination, we contacted two community organization and a county housing development organization to discuss credit needs and community development lending opportunities in the bank's AA. We ascertained that affordable housing, including rental units and lending to small businesses were primary credit needs of the AA. Financing programs that address the credit risk associated with the credit profiles of low- and moderate-income borrowers seeking home purchase financing was also identified as a credit need in the community. Two of our contacts praised BBNB's efforts, citing the bank as the leader among area banks in terms of community development investments.

## **Fair Lending Review**

An analysis of the most recent HMDA, Small Business, Small Farm lending data, public comments and consumer complaints was performed according to the OCC's risk based fair lending approach. Based on our analysis of the information, the OCC decided that a comprehensive fair lending examination would not be conducted with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in June 1999.

## 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 full-scope reviews, the bank's performance in the Lancaster County (MSA 4000) is **good** and in the Berks/Reading County (MSA 6680) is **adequate**.

#### Lending Activity

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

BBNB's lending activity reflects **good** responsiveness to its AA credit needs based upon the bank's performance in the Lancaster (MSA 4000) and Berks/ Reading (MSA 6680) counties portion of its AA receiving full-scope review. The volume of this activity represents 90.3% of total HMDA loans, small loans to businesses and small loans to farms originated during the evaluation period. BBNB is active in lending to small businesses. Within the areas receiving full-scope review, 44.3% of the loans originated during the evaluation period were small loans to businesses with home mortgage loans accounting for 41.6%. Small loans to farms represented 14.1% of loan originations. For home mortgage loan originations, 34.4% were for home purchase, 22% were for home improvement, 42.4% were for home refinance and 1.2% were for multifamily loans.

During the evaluation period, BBNB originated 1,390 home mortgage loans totaling \$118 million. Additionally, BBNB sold residential mortgages totaling \$57.8 million and \$23.4 million in 2001 and 2000, respectively. Small loans to businesses originated during the evaluation period amounted to 1,477 and totaled \$166 million. Small loans to farms amounted to 561 and totaled approximately \$25 million.

BBNB ranks 6<sup>th</sup> in deposits within its AA with an overall market share of 8.3% as of June 30, 2001. The bank ranks 5<sup>th</sup> in deposits within the Lancaster (MSA 4000) and 9<sup>th</sup> in deposits within the Berks/Reading (MSA 6680) counties portion of its AA.

Overall, BBNB ranks 17<sup>th</sup> out of 403 lenders in home mortgage loan originations with a 1.5% market share. Although this is below the bank's deposit market share, this is considered a good level of penetration given the level of strong competition within the AA. Large regional banks, mortgage companies and other non-banking financial institutions ranked higher than BBNB for home mortgage loans.

Based on 2000 HMDA aggregate data, BBNB ranked 25<sup>th</sup> out of 327 lenders in the AA for home purchase loans with an overall market share of 1.2%. Within the Lancaster (MSA 4000), the bank ranks 19<sup>th</sup> with a 1.7% market share and in Berks/Reading (MSA 6680), the bank ranks 31<sup>st</sup> with a market share of less than one percent.

Based upon this same aggregate data, BBNB ranked 7<sup>th</sup> out of 124 lenders in the AA for home improvement loans with an overall market share of 3.6%. The bank ranked 6<sup>th</sup> in Lancaster (MSA 4000) and 13<sup>th</sup> in Berks/Reading (MSA 6680) counties with market shares of 4.4% and 2.14%, respectively. On an aggregate and county level, the institutions ranked higher than BBNB are generally larger in size, credit unions or part of non-banking financial companies.

BBNB ranked 28<sup>th</sup> out of 286 lenders in home refinancing with a 1% market share. Within the Lancaster (MSA 4000) and Berks/Reading (MSA 6680) counties portion of the MSA, BBNB ranks 24<sup>th</sup> and 31<sup>st</sup>, respectively. Market share for the respective areas is 1.1% and 0.9%.

Among multifamily loans, BBNB ranks 3<sup>rd</sup> out of 18 lenders with an 8.6% market share. The top two lenders are larger regional financial institutions with a combined market share of 37.9%.

Based on the same aggregate data, BBNB ranks 8<sup>th</sup> out of 137 lenders within the AA for small loans to businesses with a market share of 2.4%. This performance is good given that a majority of the bank's mortgage originations were for loans to small businesses. The top two lenders are national credit issuers with a combined 39% market share. The lenders ranked higher than BBNB are larger regional financial institutions. Within Lancaster (MSA 4000) and Berks/Reading (MSA 6680) counties, BBNB ranks 10<sup>th</sup> and 12<sup>th</sup>, respectively. Market share for the respective areas is 4.6% and 2.1%.

BBNB is ranked 2<sup>nd</sup> out of 20 lenders for small farm loans with an overall market share of 15.7%. Although small farm lending is not a primary business line of the bank, a reasonable amount of loans were originated and performance is strong compared to competitors of local and regional orientation. BBNB is ranked 3<sup>rd</sup> out of 16 lenders with a 16.4% market share in Lancaster (MSA 4000), and is 4<sup>th</sup> out of 10 lenders with an 8.3% market share in Berks/Reading (MSA 6680).

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

BBNB's overall geographic distribution of lending reflects an **adequate** penetration throughout the AA when considering that home lending opportunities are limited in the low- and moderate-income geographies. The composition of the AA reflects 6 low-income census tracts (3.53% of CTs) and 24 moderate-income census tracts (14.1% of total CTs). Ninety-nine percent of the loans originated by BBNB were located within the moderate-, middle-, and upper-income CTs. This performance is considered reasonable as 97% of the owner-occupied housing units and the AA's population is found in these areas. Within the AA's low-income CTs, 7,267 or 1.2% of the units are owner-occupied. As noted earlier, there is strong competition among financial institutions throughout the AA for home mortgage loan products. Consequently, the bank's ability to make home mortgage loans is impacted by the low volume of owner-occupied units.

## **Home Mortgage Loans**

Refer to Tables 2, 3, 4 and 5 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 loans is **adequate**. The bank's opportunity to originate home mortgage loans in low-income geographies is impacted by the low volume of owner-occupied housing units within those geographies. Geographic distribution in the individual MSAs is assessed as follows: Lancaster AA - **adequate**, Berks/Reading AA - **adequate**.

Within the Lancaster AA, BBNB originated 0.5% and 2.2% of its home purchase loans within low- and moderate-income geographies, respectively, compared to 0.7% and 5.0% of the owner-occupied units within those geographies. However, BBNB's market share of 3.3% for low-income geographies exceeds the bank's overall market share of 1.7%, while the bank's market share of 1.0% for moderate-income geographies approximates its overall market share.

In the Berks/ Reading AA, BBNB originated 1.9% and 13.9% of its home purchase loans within low- and moderate-income geographies, respectively, compared to 2.2% and 12.9% of the owner-occupied units within those geographies. The percentage of home purchased loans in moderate-income geographies exceeds the percentage of owner-occupied units within moderate-income geographies. BBNB's market share of 1.30% and 1.64% in low- and moderate-income geographies, respectively, exceeds the bank's overall market share of 0.8%.

The geographic distribution of home improvement loans is **adequate** when considering the limited opportunities and competition discussed above. Geographic distribution in the individual MSAs is assessed as follows: Lancaster AA - **adequate**, Berks/Reading AA - **poor**.

No loans were originated in low-income geographies, while lending activity within moderate-income geographies is below the percentage of owner-occupied units within these geographies. Additionally, BBNB's market share within low- and moderate-income geographies is also below the bank's overall market share.

Within the Lancaster AA, the percentage of home improvement loans originated in moderate-income geographies is 1.2% compared to 5.0% of owner-occupied units within moderate-income geographies. BBNB's market share of 1.0% for home improvement loans in moderate-income geographies is below its overall market share of 4.4%.

In the Berks/Reading AA, the percentage of home improvement loans originated in moderate-income geographies is 1.6% compared to 12.9% of owner-occupied units within those geographies. BBNB's market share of 0.9% for home improvement loans in moderate-income geographies is below its overall market share of 2.1%.

The geographic distribution of home refinance loans is **adequate**, with the individual MSAs as follows: Lancaster AA - **adequate**, Berks/Reading AA - **poor**.

Within the Lancaster AA, BBNB originated 0.9% and 2.3% of its home refinance loans within low- and moderate-income geographies, respectively, compared to 0.7% and 5.0% of the owner-occupied units within those geographies. BBNB's market share of 0.4% of home refinance loans in moderate-income geographies is below the bank's overall market share of 1.1%, while its market share in low-income geographies is negligible compared to its overall market share.

In the Berks/ Reading AA, no loans were originated within low-income geographies compared to 2.2% of the owner-occupied units within those geographies. Further, the percentage of home refinance loans originated in moderate-income geographies is substantially below the levels of owner-occupied units within those geographies. BBNB's market share in moderate-income geographies is negligible compared to the bank's overall market share of 0.8%.

Multifamily loan distribution is **adequate**, with distribution in the individual MSAs as follows: Lancaster AA - **good**, Berks/Reading AA - **adequate**.

Within the Lancaster AA, the percentage of multifamily loans originated within moderate-income geographies slightly exceeds the percentage of multifamily units within those geographies. BBNB's market share of 20% for multifamily loans in moderate-income geographies substantially exceeds its overall market share of 11.1%. No loans were originated in low-income geographies compared to 4% of multifamily units located within those geographies.

In the Berks/Reading AA, the percentage of multifamily loans originated within low-income geographies substantially exceeds the level of multi-family units within those geographies. No multifamily loans originated in moderate-income geographies compared to 27% of multifamily units within moderate-income geographies.

### ***Small Loans to Businesses***

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 businesses.

The geographic distribution of small loans to businesses is **adequate** based on the limited opportunities and strong competition from credit card companies and large regional banks for these loans in the AA. In the individual MSAs, the bank's performance is assessed as follows: Lancaster AA - **good**, Berks/Reading AA - **poor**.

Within the Lancaster AA, the percentage of small loans to businesses originated in low-income geographies slightly exceeds the percentage of businesses within those geographies, while the percentage of small loans originated in moderate-income geographies is below the level of small businesses within those geographies. BBNB's market share of 10.6% for low-income geographies exceeds its overall market share of 4.9%, while the market share for moderate-income geographies is near to its overall market share.

In the Berks/ Reading AA, the percentage of small loans to businesses originated in both low- and moderate-income geographies is well below the percentage of small loans within those geographies. The bank's market share within those geographies is below its overall market share of 2.1%.

### ***Small Loans to Farms***

Refer to Table 7 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.

An analysis of the distribution of small loans to farms is not meaningful. BBNB did not originate any small loans to farms in low- or moderate-income geographies during the evaluation period. There is only one farm (0.1% of the AA farms) located within low-income geographies, and 17 farms (1.1% of the AA farms) are located in moderate-income geographies. The bank's lending activity was centered almost entirely (99.6%) in middle-income geographies.

### **Lending Gap Analysis**

No unexplained conspicuous gaps were identified based on mapping data detailing BBNB's lending activity over the evaluation period for home mortgage loans, small loans to businesses and small loans to farms.

### ***Inside/Outside Ratio***

A substantial majority (88%) of the home mortgage, small loans to businesses, small loans to farms and CD loans originated by BBNB during the evaluation period were within its AA. The volumes of loans originated in the AA during the evaluation period by product types are as follows: home mortgage loans 89%, small loans to businesses 92%, small loans to farms 78% and all CD loans were in the AA.

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

#### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution of home mortgage loans reflects a **good** dispersion among borrowers of different income levels throughout the Lancaster and Berks/Reading portions of the AA. The borrower distribution of home mortgage by income level is **good** in the Lancaster AA and **adequate** in the Berks/Reading AA.

Although the bank's overall lending to low-income is below the percentage of families that are low-income in the AA, the bank's performance is considered good given the difficulty for a low-income person to afford a home in the AA, based on income and housing costs. The lack of affordability of homeownership for a low-income person also limits the opportunities for home improvement and home refinance lending to this segment of the market.

In the Lancaster AA, the median cost of housing is \$90 thousand based on 1990 US Census data. A low-income person earns less than \$26,950 a year based on the updated median family income in the AA of \$53,900. Additionally, 7% of the households within the AA are below the poverty level and considered very low-income. Approximately 78% of low-income families in the Lancaster AA live within middle- and upper-income geographies.

In the Berks/Reading AA, the median cost of housing is \$81 thousand based on 1990 US Census data. A low-income person earns less than \$25,700 a year based on the updated median family income in the AA of \$51,400. Additionally, 9% of the households within the AA are below the poverty level and considered very low-income. Approximately 56% of low-income families in the Berks/Reading AA live within middle- and upper-income geographies.

Home purchase loan distribution by borrower income level is **good** given the difficulties encountered by a low-income person in purchasing a home, as noted above.

Within both the Lancaster AA and Berks/Reading AA, home purchase loans to low-income borrowers are substantially below the level of low-income families within these areas. BBNB's market share for home purchase loans to low-income borrowers within these same areas is below its overall market share.

In the Lancaster AA, the percentage of home purchase loans to moderate-income borrowers exceeds the level of moderate-income families within the AA. Market share for home purchase loans to moderate-income borrowers substantially meets the bank's overall market share of 2.0%.

In the Berks/ Reading AA, the percentage of home purchase loans to moderate-income borrowers is near to the level of similarly situated families. BBNB's market share for home purchase loans to moderate-income borrowers substantially meets the bank's overall market share of 0.9%.

Home improvement loan distribution by borrower income level is **good**.

Within both the Lancaster AA and Berks/Reading AA, home improvement loans to low-income borrowers are substantially below the level of low-income families within these areas. BBNB's market share for home improvement loans to low-income borrowers within these same areas is below the bank's overall market share. The cost of housing for low-income borrowers and the percentage of households below the poverty level in both AAs, as discussed above, impacts opportunities for improvement loans to low-income borrowers.

In the Lancaster AA, home improvement loans to moderate-income borrowers are near the level of moderate-income families within the AA. BBNB's market share of 5% for home improvement loans to moderate-income borrowers exceeds the bank's overall market share of 4.5%.

In the Berks/ Reading AA, home improvement loans to moderate-income borrowers slightly exceed the level of moderate-income borrowers within the AA. BBNB's market share of 1.5% for home improvement loans to moderate-income borrowers substantially meets the bank's overall market share of 2.2%%.

Home refinance loan distribution by borrower income level is **adequate**.

Within both the Lancaster AA and Berks/Reading AA, home refinance loans to low-income borrowers are substantially below the level of low-income families within these areas. In the Lancaster AA, the market share for home refinance loans to low-income borrowers is below the bank's overall market share, while in the Berks/Reading AA the market share of 1.2% for loans to low-income borrowers slightly exceeds the bank's overall market share of 0.9%.

Similarly, within both the Lancaster AA and Berks/Reading AA, home refinance loans to moderate-income borrowers is below the level of moderate-income families within these areas. However, in the Lancaster AA, the market share for home refinance loans to moderate-income borrowers slightly exceeds the bank's overall market share, while in the Berks/Reading AA the market share for loans to moderate-income substantially meets the bank's overall market share of 0.9%.

### ***Small Loans to Businesses***

Refer to Table 11 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.

The distribution of small loans to businesses is **good** in both the Lancaster AA and Berks/Reading AA. The competition for small loans to businesses is strong within BBNB's AA with competition from local and regional banks as well as non-banking financial institutions. The following analysis compares the portion of BBNB's small loans that are to small businesses (businesses with annual revenues of \$1 million) to the portion of businesses that are small.

Within the Lancaster AA, BBNB originated approximately 61% of its loans to small businesses compared to 85% of all small businesses within the AA. The distribution by size of the loan indicates that a majority (73%) of loan originations during the evaluation period were \$100,000 or less which approaches the percentage of small businesses in the AA. BBNB ranks 9<sup>th</sup> out of 80 lenders originating small loans to small businesses with a 5.8% market share. The top five lenders control 50% of the market.

In the Berks/Reading AA, 43% of the loans originated by BBNB were to small businesses compared to 84% of small businesses within the AA. The distribution by size of the loan indicates that a majority (60%) of loan originations were \$100,000 or less which approaches the percentage of small businesses in the AA. BBNB ranks 11<sup>th</sup> out of 66 lenders originating small loans to small businesses with a 2.5% market share. The top three lenders include two credit card companies and control 50% of the market.

### **Small Loans to Farms**

Refer to Table 12 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.

The distribution of small loans to farms is **excellent** in both the Lancaster AA and Berks/Reading AA. The following analysis compares the portion of BBNB's small loans that are to small farms (farms with annual revenues of \$1 million) to the portion of farms that are small.

With the Lancaster AA, BBNB originated approximately 96% of its loans to small farms compared to 93% of all small farms within the AA. The distribution by size of the loan indicates that a majority (89%) of loan originations were \$100,000 or less which approaches the percentage of small farms in the AA. BBNB is ranked 3<sup>rd</sup> in lending small loans to farms that are small with an overall market share of 16.6%. The top two lenders have combined market share of 42%.

In the Berks/Reading AA, 85% of the loans originated by BBNB were to small businesses compared to 89% of small businesses within the AA. The distribution by size of the loan indicates that a majority (85%) of loan originations were \$100,000 or less which approaches the percentage of small farms in the AA. BBNB is ranked 4<sup>th</sup> in lending small loans to farms that are small with an overall market share of 7.9%. The top three lenders are larger regional banks and a community bank with combined market share of 85%.

### **Community Development Lending**

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Community development lending had a **positive** impact on the Lending Test. BBNB made a good level of community development loans.

During the evaluation period, BBNB originated two qualified community development loans totaling \$2.6 million to a local developer to finance the purchase and renovation of warehouse space into a 34-unit apartment complex. The complex is located in a designated "Enterprise Zone" area in the City of Lancaster and will be used by students of Franklin and Marshall College as off-campus housing.

BBNB also originated three small loans to businesses totaling approximately \$77 thousand as part of the FHLB of Pittsburgh's Banking on Business Program that had community development characteristics. These loans were considered in the evaluation of small loans to businesses.

## Product Innovation and Flexibility

Product innovation and flexibility had a **positive** impact on the Lending Test conclusion for the AA. BBNB offers the following products designed to increase the availability and affordability of housing for low- and moderate-income borrowers: Fannie Mae's Community Home Buyer's Program and Fannie Mae's Expanded Approval Program. These programs offer financing opportunities for potential borrowers by allowing higher qualifying ratios while decreasing the total amount of cash needed for a down payment to purchase a home to be as little as 3% of borrower's own funds, with the remaining 2% in the form of a gift or grant. Homebuyer education is also available to borrowers in conjunction with this program. BBNB originated two loans totaling approximately \$191 thousand during the evaluation period in relation to this program.

BBNB also participates in the U.S. Small Business Program (SBA) Lending Program, the Farmers Home Administration (FHA) and the FHLB of Pittsburgh Banking on Business Program (BOB). During the evaluation period, the bank originated two loans totaling \$185 thousand under the SBA and one loan totaling \$14 thousand under the FHA. The BOB program allocates up to \$250 thousand to approved member banks for small business lending with borrower friendly repayment terms to eligible small businesses. As noted above, three loans totaling approximately \$77 thousand were originated under BOB.

Additionally, the bank offers residential mortgage loan products with no minimum loan amount requirements and 95% loan to value financing. Typically, many local lenders do not offer mortgage loan amounts below \$50 thousand. During the evaluation period, BBNB originated 83 loans with principal loan amounts below \$50 thousand. These totaled \$3.3 million, with an average loan amount of \$39.5 thousand.

## Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in the Chester County portion of the AA, which is part of the Philadelphia MSA, is not inconsistent with the bank's overall "**High Satisfactory**" performance under the Lending Test. Refer to Tables 1 through 13 in Appendix C for the facts and data that support these conclusions.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "**High Satisfactory**". Based on full-scope reviews, the bank's performance in the Lancaster AA is **good** and the bank's performance in the Berks/Reading AA is **adequate**.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

We determined through our community contact and our internal research that investment opportunities are available, but limited within the bank's AA. The majority of the investment opportunities are grants and donations to many non-profit organizations that serve housing, social and related needs to low- and moderate-income individuals and families.

During the evaluation period, BBNB made a good level of qualified investments and donations totaling approximately \$3.8 million. The dollar amount of the investments is considered good based on the size and capacity of the bank. Each individual investment is describe below.

BBNB made an equity investment of \$568 thousand in a project for the purpose of renovating warehouse space in a designated Enterprise Zone in the City of Lancaster, PA. The CD project consists of 34-unit apartment complex used to provide off-campus housing for students of Franklin and Marshall College. BBNB received tax credits for this limited partnership investment.

BBNB also made an equity investment of \$480 thousand in a project for the purpose of acquiring and renovating commercial buildings into 58,000 sq. ft of leaseable office and retail space. The building is located in a designated Enterprise Zone in the City of Lancaster, which will promote economic development and revitalization to the city by creating over 90 permanent jobs for low- and moderate-income individuals.

BBNB made an equity investment of \$105 thousand to Community First Fund (CFF), a Community Development Financial Institution. CFF provides support to small and start-up businesses as well as low-income homebuyers in under-served communities throughout central Pennsylvania.

BBNB purchased \$2.4 million in mortgage-backed securities backed by loans originated entirely within the bank's assessment area to low-and moderate-income borrowers.

Throughout the evaluation period, BBNB provided 28 grants or donations totaling \$178 thousand to nine local non-profit organizations that help provide economic development, affordable housing and community services to low- and moderate-income individuals and communities throughout their AA.

The bank received the U.S. Treasury Department's Bank Enterprise Award in 2001 and granted a \$125 thousand award to CFF. The grant provided a loan pool for small businesses located in low- and moderate-income areas.

## **Conclusions for Area Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the Investment Test in the Chester County AA, which is part of the Philadelphia MSA is inconsistent with the bank's overall "High Satisfactory" performance under the Investment Test. In the Chester County AA, the bank's performance is **weaker** than the bank's overall performance based on the limited types of qualified investment opportunities and strong competition for these types of investments within the AA. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

During the evaluation period, BBNB made donations totaling \$7 thousand to two non-profit organizations. These entities include an affordable housing organization which provides homebuyer and homeowner education programs throughout the AA and a family service organization that provide emergency shelter and transitional housing to low-income families.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "**Low Satisfactory**". Based on full-scope reviews, the bank's performance in the Lancaster AA and the Berks/Reading AA is **adequate**.

### Retail Banking Services

Refer to Table 15 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.

BBNB's service delivery systems are reasonably accessible to geographies and individuals of different income levels within the AA.

BBNB now operates 17 full service offices throughout its AA with 11 branches in Lancaster County, 4 branches in Berks/Reading County and 2 branches in Chester County. Thirteen offices (76%) are located in middle-income CTs and 4 offices (24%) are located in upper-income CTs. Sixteen branch offices are equipped with automatic teller machines (ATMs) and drive-up facilities. In addition, there are three free standing ATMs located throughout the AA. The bank operates one branch office located within a senior citizen home. Similar services are provided at this location, but office hours are limited. Three new branch locations were opened during the evaluation period, one in a middle-income CT (Ephrata) and two in upper-income CTs (Rohrerstown Road and Mt. Penn). BBNB has not closed any full service branch offices since the previous evaluation.

While BBNB has no branches or ATM locations in low- or moderate-income geographies, services do not vary in any way that inconvenience low- and moderate-income individuals residing within the AA. These branches are easily accessible to low- and moderate-income individuals via public transportation and automobiles. The bank's Rohrerstown Road office in Lancaster is located within five miles of a low-income CT. And in the Berks/Reading AA, five ATMs are located with five miles of low- and moderate-income CTs. Evening hours are provided at all locations, except for the Fairmount Home branch, at least one day per week. Saturday morning hours are also offered at the majority of locations.

BBNB offers a full line of traditional banking products and services at all branch locations. These include loan products and credit services as well as demand deposit and savings accounts priced to meet the needs of a diverse customer base.

Alternative delivery systems include bank-by-mail, bank-by-phone and Internet banking. The bank offers an automated direct dial access service 24 hours a day, seven days a week.

Bank-by-phone services include balance inquiries, account transfers between accounts, current rate information and special offers. Internet banking services include account inquiries, retrieving account statements, funds transfer, applying for loans and optional bill payment services for a low monthly fee. The bank does not track these services to determine if they reach low- and moderate-income individuals or geographies. Therefore, we did not place any weight on alternative delivery systems when arriving at our overall conclusion under the Service Test.

BBNB also continues to provide bilingual customer service representatives and tellers at a few of their branch offices. Bilingual services are an identified need in the AA. The need for bilingual personnel helps service the large Spanish speaking community in the City of Lancaster. This service is imperative for the Spanish speaking population to conduct their banking needs such as check cashing, opening savings accounts and purchasing money orders.

Within the Lancaster AA, BBNB operates 11 branch offices. Nine branches are located in middle-income CTs and two branches are located in upper-income CTs. The AA contains 2 low-income CTs and 9 moderate-income CTs. Individuals residing in low- and moderate-income CT are within 5 miles of a full service branch office. Approximately 2% of the population resides within the low-income CTs, while approximately 8% of the population resides within the moderate-income CTs.

In the Berks/Reading AA, the bank operates 4 branch offices. Two branch offices are located in middle-income CTs and two branch offices are located in upper-income CTs. The AA contains 4 low-income CTs and 15 moderate-income CTs. Individuals residing in low- and moderate-income CT are within 5 miles of a full service branch office. Approximately 5% of the population resides within the low-income CTs, while 17% of the population resides within the moderate-income CTs.

BBNB operates two branch offices in the Chester County AA. These offices are located in middle-income CTs. The bank's performance in the Chester County AA is consistent with its overall performance with the areas receiving full-scope reviews. The bank's delivery system within Chester County provides reasonable access to all banking services available to all BBNB customers.

## **Community Development Services**

BBNB provides an adequate level of community development services within its AA. Several bank officers, including senior level management, participate in services that benefit community organizations. The following community development services were provided during the evaluation period.

### Lancaster County

A senior vice president serves on the Board of Directors of Tabor Community Services (Tabor). The organization is a consumer credit and housing counseling agency serving Lancaster County. Tabor also provides transitional housing to low-income families and affordable housing units to low-income, disabled and elderly persons through its three

Supportive Housing programs. Over the years, BBNB has provided financial support through contributions and donated personal computers.

A community development officer serves on the Board of Directors of Community First Fund, a Community Development Financial Institution serving central Pennsylvania. CFF's mission is to provide support and assistance to small and start up businesses, as well as low-income homebuyers in under served communities. BBNB has contributed to their loan pool and provided donations for operating expenses. Additionally, a credit officer has provided technical support in performing credit evaluations, loan documentation and training to staff of the organization.

A credit officer serves on the Board of Directors of Building and Supporting Entrepreneurship of Southeast Lancaster (BASE, Inc.). This organization provides counseling, direction, technical assistance and mentoring to start up minority owned businesses and through its Small Business Center, provides resources and fosters economic development for minorities entrepreneurs. BBNB supports BASE with human resources in underwriting guidelines for the lending portfolio and guidance to the prospective business owners on avenues for and structuring of financing.

The agricultural lending department of BBNB offers a free one-day seminar on current farming issues to local farmers. This annual event features well know speakers on topics related to agriculture and small farm financing issues. Bank officers serve as members of the panel and speakers at this function.

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

Based on limited-scope reviews, the bank's performance under the Service Test in the Chester County AA is not inconsistent with the bank's overall "Low Satisfactory" performance under the Service Test.

Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

## 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 non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: January 1, 1999 to December 31, 2001 Investment Test: June 8, 1999 to August 19, 2002 Service Test: June 8, 1999 to August 19, 2002 CD Loans: June 8, 1999 to August 19, 2002	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Blue Ball National Bank (BBNB) Blue Ball, PA	Residential mortgages, small business loans, small farm loans and community development loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
PennRock Insurance Group, Inc.	Wholly owned subsidiary of Blue Ball National Bank	None
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Lancaster County - #4000	Full-Scope	
Berks/Reading County - #6680	Full Scope	
Chester County – Part of Philadelphia MSA #6160	Limited Scope	

## Appendix B: Market Profiles for Full-Scope Areas

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#### Market Profiles for Areas Receiving Full-Scope Reviews

Lancaster County MSA 4000	B-2
Berks/Reading County MSA 6680	B-4

**BBNB – Lancaster County (MSA 4000)**

Demographic Information for Full-Scope Area: Lancaster AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	84	2.38	10.71	78.57	8.33	0.00
Population by Geography	380,388	1.87	7.96	80.50	9.67	0.00
Owner-Occupied Housing by Geography	94,323	0.69	4.99	83.39	10.93	0.00
Businesses by Geography	17,512	0.71	8.26	79.93	11.10	0.00
Farms by Geography	1,521	0.07	0.46	95.40	4.08	0.00
Family Distribution by Income Level	101,755	15.19	19.13	28.93	36.75	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	34,924	3.28	11.85	79.32	5.56	0.00
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$37,791 = \$53,900 =7.19%	Median Housing Value Unemployment Rate		= \$90,345 = 3.8%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

The Lancaster AA includes the northern portion of Lancaster County and consists of 84 contiguous census tracts or 49% of the 170 census tracts within the combined AA. This area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income census tracts. The AA contains 2 low-income, 9 moderate-income, which are located within the City of Lancaster, 66 middle-income and 7 upper-income census tracts.

The Lancaster AA has a total population of 380,388 representing total families and households of 101,755 and 136,009, respectively. The 2001-updated HUD median family income is \$53,900. Within the Lancaster AA, 15% and 19% of the families are designated as low- and moderate-income, respectively. Of the 140,721 total housing units, 67% are owner-occupied, and 29% are rental units. The average age of housing in the Lancaster AA is 40 years and the average cost of housing is \$90,345. Based on the demographic information, homeownership may be difficult to achieve for many residents within the AA as low-income is a family income of less than \$27 thousand.

The Lancaster AA encompasses a diverse economic base including a mixture of service based businesses, retail trade, construction, and finance, insurance and real estate. Major employers are Armstrong World Industries, Lancaster General Hospital, RR Donnelly & Sons Co., County of Lancaster and Case New Holland North America, Inc. Economic conditions within the AA are considered stable, and the unemployment rate is 3.8%, which is below the State average of 5.5% as of July 2002.

Competition for banking services within the AA is strong. Competition exists from both larger regional financial institutions and community banks with 166 branch offices representing 17 financial institutions with total deposits of \$5.5 billion reported at June 20, 2001. Major competitors include Fulton Bank ranked 1<sup>st</sup> with a 24% market share, Bank of Lancaster County ranked 2<sup>nd</sup> with a 16% market share, First Union ranked 3<sup>rd</sup> with a 13% market share and Farmers First Bank ranked 4<sup>th</sup> with an 11% market share. BBNB is ranked 5<sup>th</sup> for market share of deposits and has 8.3% of total deposits.

During our examination, we contacted three community groups including a community development financial institution (CDFI), responsible for providing affordable housing loans and small business loans to start up businesses, a community group, responsible for providing credit counseling, transitional housing and affordable housing to low-income and elderly persons and a county government housing and redevelopment agency, responsible for economic development and affordable housing programs. Through our discussions, we were able to obtain informative data regarding the credit needs of the community, as well as general information regarding the housing market in the AA.

Affordable housing, including rental units and small business lending were identified as primary credit needs in the AA. Our contact indicated that housing projects need tax credits, which are very hard to obtain. Our contact further stated that four affordable housing projects had been submitted for approval, however none were approved for the year 2003. Another CRA examination covering the Lancaster MSA also identified a need for construction or rehabilitation of affordable housing including rental units.

Further, financing programs that address the credit risk associated with the credit profiles of low- and moderate-income individuals seeking home purchase financing were also identified as a credit need.

Two of our contacts, specifically praised BBNB's efforts, citing the bank as a leader among area banks in providing community development investments.

**BBNB – Berks/Reading County (MSA 6680)**

Demographic Information for Full-Scope Area: Berks/Reading AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	58	6.90	25.86	54.45	13.79	0.00
Population by Geography	236,295	4.95	17.09	56.38	21.59	0.00
Owner-Occupied Housing by Geography	66,091	2.18	12.91	60.39	24.52	0.00
Businesses by Geography	9,951	4.26	14.10	57.01	24.63	0.00
Farms by Geography	302	0.00	3.31	83.44	13.25	0.00
Family Distribution by Income Level	64,976	17.31	19.11	26.37	37.20	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	23,670	9.13	24.93	51.44	14.50	0.00
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$37,755 = \$51,400 =8.08%	Median Housing Value Unemployment Rate		= \$75,196 = 6.1%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

The Berks/Reading AA includes the southern portion of Berks County and consists of 58 contiguous census tracts or 34% of the 170 census tracts within the combined AA. This area complies with regulatory requirements and does not arbitrarily excludes low- or moderate-income census tracts. The AA contains 4 low-income, 15 moderate-income, 31 middle-income and 8 upper-income census tracts.

The Berks/Reading AA has a total population of 236,295 representing total families and households of 64,976 and 92,134, respectively. The 2001-updated HUD median family income is \$51,400. Within the Berks/Reading AA, 17% and 19% of the families are designated as low- and moderate-income, respectively. Of the 97,390 total housing units, 68% are owner-occupied, and 27% are rental units. The average age of housing in the Lancaster AA is 48 years and the average cost of housing is \$75,186. Based on the demographic information, homeownership may be difficult to achieve for many residents within the AA as low-income is a family income of less than \$25 thousand.

The Berks/Reading AA is diverse and includes service based businesses, retail trade, manufacturing and construction interest. Major employers are East Pennsylvania Manufacturing Company, Reading Hospital, Carpenter Technology, County of Berks and Lucent Technologies. While the economy is diverse, the manufacturing presence has been more susceptible to the effects of a slowing national economy. The unemployment rate is 6.1%, and is above the State average of 5.5% as of July 2002.

Competition for banking services within the AA is strong. Competition exists from both larger regional financial institutions and community banks with 90 branch offices representing 15 financial institutions with total deposits of \$3.8 billion reported at June 20, 2001. Major competitors include Sovereign Bank which ranks 1<sup>st</sup> with a 24% market share, Main Street Bank ranked 2<sup>nd</sup> with a 16% market share, First Union ranked 3<sup>rd</sup> with a 12% market share and National Penn Bank ranked 4<sup>th</sup> with an 11% market share. BBNB is ranked 9<sup>th</sup> for market share of deposits and has 4.4% of total deposits.

During our examination, we contacted one community development financial institution responsible for providing affordable housing loans and small business loans to start up businesses. Through our discussions, we were able to obtain informative data regarding the credit needs of the community, as well as general information regarding the housing market in the AA.

Primary credit needs identified were providing affordable housing, including rental units to low- and moderate-income individuals, and affordable loan products.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” 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 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 MA/assessment area. Tables without data are not included in this PE.

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 MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- 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 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 Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. 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 share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. 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 share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. 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 MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. 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. 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 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) 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. 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 13. 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 households 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 MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/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 be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. 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 MA/AA. The table also presents data on branch openings and closings in each MA/AA.

# Institution ID: 1000008421 BLUE BALL NATIONAL BANK

## Table 1. Lending Volume

LENDING VOLUME		Geography: BLUE BALL NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001						
MA/Assessment Area (2001):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
MSA 4000 – Lancaster	71.74	1,067	91,855	1,137	115,755	457	19,961	2	2,625	2,663	230,196	67.98
MSA 6680 - Berks/Reading	18.50	327	26,194	342	50,075	17	787	0	0	686	77,056	25.41
<b>Limited Review:</b>												
MSA 6160 – Philadelphia (Chester County)	9.76	147	11,360	124	10,081	91	4,171	0	0	362	25,612	6.62

\* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is From January 01, 1999 to December 31, 2001.

\*\*\* Deposit Data as of June 30, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

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

Geographic Distribution: HOME PURCHASE		Geography: BLUE BALL NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
MSA 4000 – Lancaster	370	70.75	0.67	0.54	4.88	2.16	83.76	91.62	10.69	5.68	1.66	3.28	0.96	1.79	1.16	
MSA 6680 - Berks/Reading	108	20.65	2.11	1.85	12.49	13.89	61.67	66.67	23.73	17.59	0.74	1.30	1.64	0.67	0.55	
<b>Limited Review:</b>																
MSA 6160 - Philadelphia (Chester County)	45	8.60	0.00	0.00	0.00	0.00	62.24	86.67	37.76	13.33	0.63	0.00	0.00	0.90	0.27	

\* Based on 2000 Peer Mortgage Data: Northeast Region.

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

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: 1000008421 BLUE BALL NATIONAL BANK

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

Geographic Distribution: HOME IMPROVEMENT		Geography: BLUE BALL NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
MSA 4000 – Lancaster	244	69.71	0.67	0.00	4.88	1.23	83.76	95.90	10.69	2.87	4.30	0.00	0.97	4.85	0.95	
MSA 6680 - Berks/Reading	64	18.29	2.11	0.00	12.49	1.56	61.67	87.50	23.73	10.94	2.11	0.00	0.88	2.86	0.81	
<b>Limited Review:</b>																
MSA 6160 - Philadelphia (Chester County)	42	12.00	0.00	0.00	0.00	0.00	62.24	85.71	37.76	14.29	2.87	0.00	0.00	4.08	0.93	

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

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

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: BLUE BALL NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
MSA 6680 - Berks/Reading	150	23.04	2.11	0.00	12.49	0.67	61.67	77.33	23.73	22.00	0.77	0.00	0.00	0.93	0.78	
MSA 4000 – Lancaster	441	67.74	0.67	0.91	4.88	2.27	83.76	89.80	10.69	7.03	1.07	0.00	0.44	1.20	0.55	
<b>Full Review:</b>																
MSA 6160 - Philadelphia (Chester County)	60	9.22	0.00	0.00	0.00	0.00	62.24	80.00	37.76	20.00	0.55	0.00	0.00	0.57	0.51	

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: BLUE BALL NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography <sup>†</sup>				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans						
<b>Full Review:</b>																
MSA 4000 – Lancaster	12	70.59	3.82	0.00	15.66	16.67	67.10	66.67	13.42	16.67	11.11	0.00	20.00	10.00	0.00	
MSA 6680 - Berks/Reading	5	29.41	10.88	20.00	26.44	0.00	42.34	80.00	20.33	0.00	8.00	0.00	0.00	25.00	0.00	
<b>Limited Review:</b>																
MSA 6160 - Philadelphia (Chester County)	0	0.00	0.00	0.00	0.00	0.00	83.57	0.00	16.43	0.00	0.00	0.00	0.00	0.00	0.00	

<sup>†</sup> Based on 2000 Peer Mortgage Data: Northeast Region.

<sup>\*\*</sup> Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

<sup>\*\*\*</sup> Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

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

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: BLUE BALL NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography <sup>†</sup>				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Businessess***	% BANK Loans	% of Businessess***	% BANK Loans	% of Businessess***	% BANK Loans	% of Businessess***	% BANK Loans						
<b>Full Review:</b>																
MSA 4000 – Lancaster	1,137	70.93	0.69	0.79	8.09	1.85	80.36	91.82	10.86	5.54	4.58	10.64	1.63	5.32	1.87	
MSA 6680 - Berks/Reading	342	21.34	4.09	1.17	13.52	4.09	58.77	78.95	23.62	15.79	2.14	0.67	0.96	2.59	1.51	
<b>Limited Review:</b>																
MSA 6160 – Philadelphia (Chester County)	124	7.74	0.00	0.00	0.00	0.00	55.21	91.13	44.76	8.87	0.53	0.00	0.00	1.49	0.17	

<sup>†</sup> Based on 2000 Peer Small Business Data: US&PR.

<sup>\*\*</sup> Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

<sup>\*\*\*</sup> Source Data - Dun and Bradstreet (2001).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS		Geography: BLUE BALL NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography'				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans						
<b>Full Review:</b>																
MSA 4000 - Lancaster	457	80.88	0.07	0.00	0.46	0.00	95.43	99.56	4.05	0.44	16.40	0.00	0.00	16.85	0.00	
MSA 6680 - Berks/Reading	17	3.01	0.00	0.00	2.42	0.00	87.92	100.00	9.66	0.00	8.33	0.00	0.00	8.50	0.00	
<b>Limited Review:</b>																
MSA 6160 - Philadelphia (Chester County)	91	16.11	0.00	0.00	0.00	0.00	66.48	96.70	33.52	3.30	20.00	100.00	0.00	22.55	10.00	

\* Based on 2000 Peer Small Business Data: US&PR.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2001).

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

Borrower Distribution: HOME PURCHASE		Geography: BLUE BALL NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share <sup>†</sup>				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
<b>Full Review:</b>																
MSA 4000 - Lancaster	370	70.75	15.10	2.70	19.17	20.81	29.00	32.16	36.74	44.32	1.95	0.87	1.44	1.72	2.75	
MSA 6680 - Berks/Reading	108	20.65	17.22	4.63	19.17	15.74	26.46	26.85	37.15	52.78	0.87	0.48	0.46	0.69	1.42	
<b>Limited Review:</b>																
MSA 6160 - Philadelphia (Chester County)	45	8.60	13.20	11.11	17.88	20.00	25.99	33.33	42.93	35.56	0.73	0.00	1.16	0.66	0.69	

<sup>†</sup> Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

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

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: BLUE BALL NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share <sup>†</sup>				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
<b>Full Review:</b>																
MSA 4000 - Lancaster	244	69.71	15.10	6.56	19.17	18.03	29.00	37.70	36.74	37.70	4.39	2.54	4.90	5.10	4.03	
MSA 6680 - Berks/Reading	64	18.29	17.22	1.56	19.17	20.31	26.46	23.44	37.15	54.69	2.16	0.57	1.84	2.65	2.75	
<b>Limited Review:</b>																
MSA 6160 - Philadelphia (Chester County)	42	12.00	13.20	9.52	17.88	33.33	25.99	28.57	42.93	28.57	2.94	0.00	6.67	3.25	2.01	

<sup>†</sup> Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: BLUE BALL NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share <sup>*</sup>				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>						
<b>Full Review:</b>																
MSA 4000 - Lancaster	441	67.74	15.10	4.99	19.17	15.42	29.00	29.02	36.74	50.57	1.23	0.41	1.27	1.61	1.10	
MSA 6680 - Berks/Reading	150	23.04	17.22	4.67	19.17	14.00	26.46	28.67	37.15	52.67	0.89	1.09	0.41	0.87	1.16	
<b>Limited Review:</b>																
MSA 6160 - Philadelphia (Chester County)	60	9.22	13.20	13.33	17.88	26.67	25.99	26.67	42.93	33.33	0.64	1.33	1.43	0.40	0.25	

<sup>\*</sup> Based on 2000 Peer Mortgage Data: Northeast Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

## Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: BLUE BALL NB			Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
MSA 4000 - Lancaster	1,137	70.93	85.44	60.60	72.65	18.65	8.71	4.58	5.83
MSA 6680 - Berks/Reading	342	21.33	84.02	42.98	60.23	23.39	16.37	2.14	2.51
<b>Limited Review:</b>									
MSA 6160 - Philadelphia (Chester County)	124	7.74	84.15	71.77	78.23	14.52	7.26	0.53	0.90

\* Based on 2000 Peer Small Business Data: US&PR.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 18.28% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: BLUE BALL NB			Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
MSA 4000 - Lancaster	457	80.88	93.27	95.84	88.62	9.63	1.75	16.40	16.57
MSA 6680 - Berks/Reading	17	3.01	90.58	88.24	88.24	5.88	5.88	8.33	7.86
<b>Limited Review:</b>									
MSA 6160 - Philadelphia (Chester County)	91	16.11	91.83	95.60	87.91	10.99	1.10	20.00	23.15

\* Based on 2000 Peer Small Business Data: US&PR.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 2.30% of small loans to farms originated and purchased by the bank.

## Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: BLUE BALL NB				Evaluation Period: JUNE 8, 1999 TO AUGUST 19, 2002			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
MSA 4000 - Lancaster	0	0	10	2,278	10	2,278	63.68	0	0
MSA 6680 - Berks/Reading	0	0	7	1,299	7	1,299	36.32	0	0
<b>Limited Review:</b>									
MSA 6160 - Philadelphia (Chester County)	0	0	0	0	0	0	0.00	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: BLUE BALL NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001									
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
MSA 4000 – Lancaster	67.98	11	64.71	0.00	0.00	81.82	18.18	2	0	0	0	1	1	1.83	7.75	81.00	9.42
MSA 6680 - Berks/Reading	25.41	4	23.53	0.00	0.00	50.00	50.00	1	0	0	0	0	1	4.79	16.54	57.79	20.89
<b>Limited Review:</b>																	
MSA 6160 Philadelphia	6.62	2	11.76	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	0.00	64.43	35.47

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## **BBNB - Lancaster MSA 4000**

Demographic Information for Full Scope Area: Lancaster MSA 4000						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	84	2.38	10.71	78.57	8.33	0.00
Population by Geography	380,388	1.87	7.96	80.50	9.67	0.00
Owner-Occupied Housing by Geography	94,323	0.69	4.99	83.39	10.93	0.00
Business by Geography	17,512	0.71	8.26	79.93	11.10	0.00
Farms by Geography	1,521	0.07	0.46	95.40	4.08	0.00
Family Distribution by Income Level	101,755	15.19	19.13	28.93	36.75	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	34,924	3.28	11.85	79.32	5.56	0.00
Median Family Income		37,791	Median Housing Value		90,345	
HUD Adjusted Median Family Income for 2001		53,900	Unemployment Rate (1990 US		3.8%	
Households Below Poverty Level		7.19%	Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2001 HUD updated MFI

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## **BBNB - Berks/Reading MSA 6680**

Demographic Information for Full Scope Area: Berks/Reading MSA 6680						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	58	6.90	25.86	53.45	13.79	0.00
Population by Geography	236,295	4.95	17.09	56.38	21.59	0.00
Owner-Occupied Housing by Geography	66,091	2.18	12.91	60.39	24.52	0.00
Business by Geography	9,951	4.26	14.10	57.01	24.63	0.00
Farms by Geography	302	0.00	3.31	83.44	13.25	0.00
Family Distribution by Income Level	64,976	17.31	19.11	26.37	37.20	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	23,670	9.13	24.93	51.44	14.50	0.00
Median Family Income		37,755	Median Housing Value		80,914	
HUD Adjusted Median Family Income for 2001		51,400	Unemployment Rate (1990 US		6.1%	
Households Below Poverty Level		8.08%	Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2001 HUD updated MFI

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## ***BBNB - Philadelphia MSA 6160 - Chester County***

Demographic Information for Limited Scope Area: Philadelphia MSA 6160 – Chester County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	29	0.00	0.00	68.97	27.59	3.45
Population by Geography	85,825	0.00	0.00	64.43	35.47	0.10
Owner-Occupied Housing by Geography	24,207	0.00	0.00	62.24	37.76	0.00
Business by Geography	3,521	0.00	0.00	55.21	44.76	0.03
Farms by Geography	355	0.00	0.00	66.48	33.52	0.00
Family Distribution by Income Level	23,842	13.20	17.88	25.99	42.93	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	7,411	0.00	0.00	72.08	27.92	0.00
Median Family Income		41,908	Median Housing Value		134,119	
HUD Adjusted Median Family Income for 2001		60,100	Unemployment Rate (1990 US		1.7%	
Households Below Poverty Level		4.73%	Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2001 HUD updated MFI

