



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Public Disclosure

May 11, 1998

Community Reinvestment Act Performance Evaluation

**American Trust Bank N.A.
Charter #23045
118 Baltimore Street
Cumberland, MD 21502**

**Comptroller of the Currency
Mid-Size/Credit Card Banks
New Jersey Field Office
830 Morris Turnpike, Second floor
Short Hills, New Jersey 07078**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Definitions and Common Abbreviations

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

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

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

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT contains an average population of 4,000 and may have its boundaries defined with every ten-year census.

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race, gender, and income of applicants, the amount of the loan request, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level of 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.

Low-Income - Income levels that are less than 50% of the MFI.

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

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

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

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loan with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of the **American Trust Bank, NA** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 11, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

- ▶ A high percentage of HMDA and small business loans within its AA;
- ▶ HMDA lending in low income geographies is reasonable in relation to the opportunities;
- ▶ HMDA and small business lending activities in moderate income geographies are good;
- ▶ HMDA lending to low income borrowers is adequate and excellent to moderate income borrowers;
- ▶ An adequate record of originating small business loans to businesses with annual revenues of one million or less;
- ▶ An adequate level of community development lending;
- ▶ A low level of qualifying investments that is not adequate in relation to the institutions capacity;
- ▶ Delivery systems are accessible to all portions of the assessment area;
- ▶ A high level of community development services.

Performance Levels	Name of Financial Institution Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			X
Low satisfactory	X		
Needs to improve		X	
Substantial noncompliance			

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

Description of Institution

American Trust Bank, N.A. (ATB) is located in Cumberland, Maryland and is a subsidiary of Keystone Financial, Inc. (KFI). ATB, as of March 31, 1998, had total assets of \$921 million comprising net loans of \$614 million (67%), securities \$205 million (22%) and other assets of \$101 million (11%). The bank's loan mix consists of real estate 72% (primarily commercial), commercial loans 9%, loans to individuals 17%, and other types of lending 2%, i.e., leasing.

ATB is a full service bank that offers a variety of credit and deposit products including lending to the manufactured and mobile home market. ATB has no operating subsidiaries, however, residential mortgage lending in the assessment area (AA) is performed by its affiliate, Keystone Financial Mortgage, Inc.

As a result of ATB's merger in May 1997 with First Federal Savings Bank of Western Maryland and the Washington County National Bank, total deposits increased from \$265 million to \$673 million. The assessment area expanded to include all of Washington County, Maryland and the branch network increased by 19 offices. ATB's branch system consists of 26 full-service banking offices, and two drive-in only (no-lobby) facilities, with 23 ATMs located throughout Allegheny, Garret, and Washington counties in Maryland, and Mineral County in West Virginia.

ATB is a wholly owned subsidiary of Keystone Financial, Inc. (KFI). KFI is the fourth largest bank holding company headquartered in Pennsylvania. As of March 31, 1998, KFI had total assets of \$6.9 billion. KFI operates six bank subsidiaries in Pennsylvania and one in Maryland.

ATB is not subject to any known financial, legal, or regulatory restrictions that would impede its ability to help meet the credit needs of its community.

Description of Assessment Areas (AAs)

American Trust Bank's three assessment areas meet regulatory guidelines and do not arbitrarily exclude any low- and moderate-income areas (LMI). The AAs include, Hagerstown Metropolitan Statistical Area (MSA) 3180 comprising all of Washington County, Maryland; a non-MSA consisting of the entire county of Garret, Maryland; and a multistate MSA (Cumberland/1900) that includes Mineral County, West Virginia and Cumberland County, Maryland. The total population of the three combined AAs is approximately 251,000 and includes 68,550 families and 94,540 households.

The combined AA contains 68 geographies, 2 low income geographies (3%) 16 moderate income geographies (24%), 43 middle income geographies (62%) and 7 upper income geographies (10%), and 1 geography (%1) with no reported income. The median age of the housing stock is 30 years old and the median cost of housing is \$64,000. The owner occupancy ratio is 61% and reflects in part the relationship of the cost of housing versus low family incomes that do not support debt service and home ownership expenses. The updated median family income for the combined AA is \$38,000.

Business demographics, as of 1990, show that 5,600 businesses are in the combined AA of which 5,000 (89%) report annual revenues of one million or less. Four thousand businesses employ less than five persons and are retail or service providers.

The unemployment rate for the Commonwealth of Maryland for February and March 1998 is 4.8% and 4.6%, respectively. The state unemployment rate for Maryland, in February is similar to the national unemployment rate. In West Virginia, for the same months, unemployment rates were 5.8% and 6.8%, respectively and are higher than the national average.

Overall, ATB is a significant competitor in the assessment areas in which it has a presence. Its primary competitors, Farmers & Merchants Bank and Trust and First United National Bank & Trust, are similarly situated financial institutions.

There are no financial or legal obstacles impacting ATB's ability to help meet its community's credit needs. Refer to the State of Maryland and Multistate sections of this report for a description of each assessment area.

Geographies are used in this report to describe census tracts (CTs) and block numbering areas (BNA's). LMI may be used throughout this document to describe low- and moderate-income people and/or geographies. Table 1 indicates the demographics of the combined AA. Table 2 illustrates the demographics of each assessment. These tables follow:

Table 1

Combined Assessment Area Demographics			
Income level of Geographies	Geographies * # Census Tracts/BNA's	Geographies % of Total Census Tracts/BNA's	% of Families Residing in the Geographies
Low	2	3	20
Moderate	16	24	19
Middle	42	62	25
Upper	7	10	36
N/A**	1	1	0
TOTAL	68	100%	100%

* BNA, Block Numbering Area used in non-tractred areas in non-MSA by US Census Bureau

** N/A - no income

Table 2

Assessment Area Demographics							
Assessment Area	Geography	Geography Characteristic				% Low	% Moderate
		Low	Moderate	Middle	Upper		
Cumberland MSA #1900 (1)	32	1	4	24	3	4	13
Garrett County, MD Non-MSA	7*	0	6	1	0	0	86
Hagerstown, MD MSA #3180	29**	1	6	17	4	3	21
Total	68	2	16	42	7		

*All of Garrett County comprises Block Numbering Areas ** Washington County, Maryland has one geography with no income reported. Tables 1 and 2 based on 1990 census data from U.S. Census Bureau

(1) Cumberland MSA is a multistate MSA comprising Allegheny County, MD and Mineral County, West Virginia.

Determination of Community Credit Needs

Management, determined based on community outreach efforts that the credit needs of the combined AA are for, affordable housing loans for single and multi-family housing, housing rehabilitation loans, mortgage loans with lower down payments and closing expenses, and loans to small businesses for continuing operations and expansion.

Community Contacts

During the examination, four community groups were contacted. The groups identified that housing rehabilitation financing, flexible terms for first time home buyers, credit counseling, single and multi-family housing construction mortgages, small business underwriting standards designed for applicants residing in rural communities, and financing for rural development and farm loans are the credit needs in the assessment areas.

Conclusions with Respect to Performance Tests

Scope of Review

Note: American Trust Bank's 1997 HMDA data was filed inaccurately. The incorrect HMDA data has been published. Management provided us with the correct HMDA data during the examination, which we used in our analysis. The corrected HMDA data will be placed in the bank's public file, and American Trust Bank has resubmitted the correct 1997 HMDA data.

The evaluation period covers the period January 1, 1996 to March 31, 1998. The lending test evaluation period is from January 1, 1997 to March 31, 1998 and included a review of HMDA data for the bank and information from the bank's Small Business Loan Register. The evaluation period for the investment and service tests was January 1, 1996 to March 31, 1998.

In addition to the HMDA reportable loans by ATB, KFMC originated 278 HMDA reportable loans totaling \$25 million in the combined AA during the evaluation period. The loans of the affiliate were not considered in the concentration of lending in the assessment area but were evaluated in the geographic distribution and borrower income analysis.

Lending Test

ATB's lending levels are adequate and show good responsiveness to meeting the credit needs for home purchase loans, home improvement loans, refinance loans and, small business loans. Through the use of innovative and flexible lending programs, ATB and its affiliate, KFMC, provide access to mortgage loans for low- and moderate-income residents. An array of creative consumer loan products to establish or reestablish credit also demonstrates responsiveness to community credit needs.

Concentration of Lending Activity

Table 3 illustrates that ATB originated a high percentage of HMDA and small business loans in its combined assessment area during the evaluation period. Eighty six percent of the number of loan originations and 87% of the total dollar amount of loans were made within the combined AA.

Table 3

Loan Distribution of Originations in The Combined Assessment Area During the Evaluation Period (*)				
Loan Type	# Loans	% of Total	\$ (000's)	% of Total
HMDA	301	81	10,267	83
Small Business	427	90	34,785	88
TOTAL	728	86	45,052	87

(*) This table reflects loans originated in the assessment area from January 1997 to March 1998.

Source: ATB, 1997 and first quarter 1998 HMDA LAR

Geographic Distribution of Loans

Loan originations during the evaluation period are distributed adequately among all income tracts within the combined AA. Tables 4 and 5 show the distribution of loans by product type and among the different census tracts.

HMDA Loans

The volume of HMDA reportable lending is adequate in all geographies within the combined AA. Table 4 shows that there is a low volume of lending in the two low-income census tracts. Demographic information for these tracts indicates lending opportunities are limited, because of the low number of housing units and a 1% owner occupancy rate. Lending in moderate income tracts is excellent. Thirty six percent of loan originations were in moderate- income geographies versus 24% of the geographies designated as moderate income. The owner occupancy rate in moderate tracts is 19%. Loans to borrowers in middle and upper income tracts represent the greatest percentage (64%) of loans originated during the evaluation period and are reflective of the demographics of the AA.

An analysis of the 1996 combined AA for Allegheny and Garret counties in Maryland and Mineral County in West Virginia, to all other lenders in those same counties was performed. The data from 1996 was used as it is the latest market information available at the examination date. For HMDA loans, the bank's performance in the 1996 combined AA performed under the market in number of loan originations in each type of income geography. In low income geographies the bank made 0% loans versus 1% for all lenders and had 5% of its loan originations in moderate tracts versus 25% for all lenders.

An analysis of lending activity for HMDA reportable loans in the two low income geographies indicates a low volume of lending activity for all reporting lenders.

Table 4

HMDA Loan Originations Combined AA Geographic Distribution				
Geographies			Jan 97 -Mar 98	
Type	#/%	Owner Occupancy %	Origination %Total	\$ %Total
Low	2/ 3	1	0	0
Moderate	16/24	19	36	36
Middle	42/62	64	54	55
Upper	7/10	16	10	9
NA*	1/1	0	0	0
Total	68 /100	100%	100%	100%

Source: ATB and KFMC, 1997 and first quarter 1998 HMDA LAR * No income reported

Small Business Lending

Table 5 reflects small business loans originated during the evaluation period are adequately distributed throughout the assessment area. Seventy-seven percent of businesses are in the moderate and middle- income geographies which comprise 86% of the AAs total census tracts. ATB originated 83% of its small business loans during the evaluation period in moderate and middle- income tracts. A review of small business lending in moderate- income geographies indicates that ATB has a strong record of loan originations. Thirty-six percent of loans during the evaluation period were in moderate- income tracts in which 25% of small businesses are located. Five percent of loan originations are in low- income tracts in which 8% of small businesses are located.

Thirty-two percent of businesses with annual revenues of one million or less are located in low and moderate- income geographies in the combined AA. ATB originated 106 loans in low- and moderate-income geographies to businesses with annual revenues of one million or less. This represents 41% (104) of the 256 loans originated to businesses of that size within the combined

AA.

Based on the most recent market performance information, ATB originated the greatest number of loans to small business of all lenders in the combined AA, in 1996. The combined AA in 1996 consisted of Allegheny and Garret counties in Maryland and Mineral County in West Virginia. ATB was ranked as first among the reported 29 lenders in the AA. In low income tracts it was ranked first with 12 originations among eight lenders who collectively originated 32 loans. ATB was ranked second in lending to small businesses in moderate income tracts. The bank had 129 loans which represent a 32% market share of the 397 loans to small businesses in moderate tracts.

Table 5

Small Business Loan Originations-Geographic Distribution				
Geographies		% Of Small Businesses	January 1997 - March 1998	
Type	# %		# Loans %Total	\$ (000's) %Total
Low	2/3	8	20/5	1,381/4
Mod.	16/24	25	156/36	10,115/29
Middle	42/62	52	197/46	16,735/48
Upper	7/10	15	54/13	6,554/19
NA*	1/1	0	0	0
Total	68/100	100%	427/100	34,785/100

Source: ATB, 1997 and first quarter 1998 Small Business Loan Register *NA- no income reported

Borrowers' Profile

Loans originated during the evaluation period are distributed adequately among retail customers of different income levels, and business customers of different sizes. Tables 6, 7, and 8 show the distribution of HMDA loans to borrowers of different income levels and small business loans to businesses of different size.

HMDA Loans

Overall the bank and its mortgage lending affiliate have a good record of lending to borrowers of different income levels for HMDA reportable loans in the combined AA. The HMDA reportable

loans originated during the evaluation period to borrowers of different income levels reflects that ATB has a distribution similar to the percentage distribution of family income within the AA. The combined AA has 61% of the families as middle and upper- income and ATB and KFMC have 64% of their HMDA loans to the same income level borrowers.

ATB has a good record in lending to moderate income borrowers. Twenty-five percent of loan originations were to moderate income borrowers compared to the 19% of families in the AA reported as moderate income. Lending to low income borrowers, represented 10% of the HMDA loans compared with the 20% low income families in the AA. This level of performance is considered reasonable based on cost of housing in relation to income levels for low income individuals and families.

Table 6

Total HMDA Loan Originations - Borrowers Profile					
Family Income		January 1997 - March 1998			
Distribution of Families	%	# Originations	% # Total	\$ (000's)	% \$ Total
Low	20	55	10	1,092	3
Moderate	19	147	25	5,227	15
Middle	25	147	25	6,843	19
Upper	36	226	39	22,071	62
NA*	0	4	1	294	1
Total	100	579	100	35,527	100

Source: ATB and KFMC, 1997 and first quarter 1998 HMDA LAR

*No income reported

Small Business Lending

The distribution of small business loans to different size businesses are good. Table 7 illustrates lending to businesses with annual revenues of one million or less represents a majority of loans in this category.

Table 7

Small Business Loan Originations to All Businesses*				
Revenue Size	# of Loans	% of Total	\$ Originated (000s)	% of Total
Less than or equal to \$1 million	256	60	17,702	51
Greater than \$1 million	70	16	10,041	29
Unknown**	101	24	7,042	20
Total	427	100	34,785	100

* Evaluation period January 1997 - March 1998 ** Revenues not reported

Source: ATB 1997 and first quarter 1998 Small Business Loan Register

The origination of small loans represents a substantial majority of loans to businesses with gross annual revenues of \$1 million or less. This represents good responsiveness to an identified need for small loans to small businesses. Table 8 shows that 84% of the number and 28% of the dollar amount of such loans were for less than \$100 thousand.

Table 8

Small Business Loan Originations to Small Businesses*				
Loan Size (000s)	# of Loans	% of Total	\$ Originated (000s)	% of Total
Less than \$100	215	84	7,662	28
\$100-\$250	30	12	14,802	53
\$250-\$1,000	11	4	5,238	19
Total	256	100	27,702	100

*Small businesses with annual revenues of one million or less

** Revenues not reported

Source: ATB, 1997 and first quarter 1998 Small Business Loan Register.

Community Development Lending Activities

ATB has an adequate amount of community development lending activity, primarily in one assessment area.

During the evaluation period ATB committed \$3.3 million to fund two projects in Oakland, Maryland for construction of 60 units of affordable rental housing and a child care center for low- and moderate-income residents.

ATB funded several community development loans that support activities in low- and moderate-income geographies for affordable housing and day care facilities. Eight loans were extended to community groups that totaled \$153,000 and were recorded in the small business loan register.

Innovative or Flexible Lending Practices

ATB and its affiliate KFMC offer several products considered as innovative and flexible.

Affordable Consumer Instalment Loan - the bank specifically designed this product for low and moderate income borrowers. They give a borrower with low income, as defined by the Census Bureau, a 1% discount, and a borrower with moderate income, as defined by the Census Bureau, 1/2% off regular consumer loan rates. Loan amounts from \$500 to \$25,000 are available. Loan payments are automatically deducted from the borrower's savings or checking account.

Key Opportunity Mortgage Program - This KFMC program is available only to borrowers whose income is 100% or less of the area median family income. ATB offers interest rate discounts to low income borrowers (below 50% of area median family income) and moderate income borrowers (below 80% of area median family income). Low income borrowers receive a 1.5% discount, and moderate income borrowers receive a 1% discount off the bank's regular mortgage rates. Borrowing is permitted for up to 95% of the value of the purchased property, and no points are charged. A special accommodation loan is available to these borrowers to cover closing costs and up to 2% of the 5% down payment. The interest rate on the accommodation loan is the same as the mortgage loan rate. The bank allows the borrower to have a debt to income ratio that is as much as 4% higher than the maximum debt to income ratio allowed under normal mortgage programs.

Credit Establishment Loan Program - The purpose of the loan is to help individuals develop a credit history. Borrowers can obtain small instalment loans ranging from \$250-\$1,500 at the bank's regular interest rates with no collateral or comaker. Loan payments are automatically deducted from the borrowers checking or savings account.

Business Manager - This product involves purchasing a customer accounts receivable at a discount, thereby giving the business immediate access to funds. The business is free of the responsibility for billing and collecting the receivables. This product is helpful to small businesses who may not readily qualify for a line of credit and prefer to be free of billing and collection responsibilities.

KeyAssist - This package of banking services designed for small businesses, features lines of credit as low as \$1,500. The availability of the small credit line is helpful to very small businesses who do not qualify for or require larger credit lines.

The bank also participates in leveraged loan programs with community groups within the AA. These loans are for first time home buyers and are offered through community groups using funding sources to provide up to 60% of the loan with the remainder of the funding provided by ATB.

INVESTMENTS

ATB had a low level of qualified donations and grants that totaled \$7,200 for the evaluation period. In 1998, the bank provided \$5,000 in qualified investments as a donation to one organization. Total qualified donations in 1997 and 1996 were \$2,200.

Limited investment opportunities are available in the AAs. However, the level of donations/grants and other qualified investments are at a level that is not commensurate with the opportunities that are available and the bank's capacity.

SERVICE TEST

ATB's product delivery system is accessible to all portions of the assessment areas. The bank's record of closing offices has not affected the accessibility to bank services. Branch hours are similar throughout the AA and are considered reasonable and convenient for all locations.

The merger with Washington County National Bank and First Federal Savings Bank of Western Maryland in May 1997, resulted in closing two branch offices and the consolidation of two branch offices. The branch office closings and consolidations did not have a negative effect low- and moderate-income geographies.

ATB operates 26 offices in the three assessment areas. All but five branch offices have an ATM. One of the five branch offices is located in a low- income geography, in downtown Hagerstown. Two others are in moderate- income geographies. The balance is in middle- income geographies. The Cumberland Mall (bank headquarters), and the Value City Offices are in a low- income in geography, the center of the city of Cumberland, MD. The Mall Office provides no drive-in access and is not open on Saturday. However, customers are serviced at the Value City Office, which is within one block of the Mall office.

The hours provided at the Value City branch are similar to the majority of the other offices and include Saturday banking. The distribution of facilities in low- and moderate-income geographies is at a level that provides residents of those geographies with accessibility to banking services and a full range of banking services. As reflected in Table 9, eight, or 31%, of ATB's branches are located in low- and moderate-income geographies.

Table 9

Distribution of Delivery Systems (Branches and ATM Facilities)			
	Branches	ATMs	Geographies in the 3 Assessment Areas
Geographies	# / %	# / %	# / %
Low	3/11	2/9	2/3
Moderate	5/19	4/17	16/24
Middle	15/58	13/57	42/62
Upper	3/12	4/17	7/10
NA*	0/0	0/0	1/1
Total	26/100	23/100	68/100

* No income reported

ATB provides alternative services through its 23 ATM's. Six (26%) of the ATMs are located in low- and moderate-income census tracts. The bank's phone center is available through a toll-free telephone number to answer customer's questions and other banking services including loans. Through its affiliate, Pennsylvania National Bank, ATB has access to a mobile branch that provides tellers and ATM service to communities within the three assessment areas. Management indicated that the mobile branch visited each of ATB's offices twice, since its inception in 1997.

Community Development Services

ATB personnel provide a high level of community development services. Primary services include providing financial expertise to a variety of community service and development organizations through board membership, credit counseling, and by providing technical financial assistance for consumers and small businesses. Senior officers from ATB serve on the Boards of Directors of not-for-profit organizations. The community development services are responsive to community needs. The following list provides some examples of community development services:

The Federal Home Loan Bank of Atlanta's (FHLBA) Affordable Housing Program (AHP)

The bank markets the FHLBA's program to local nonprofit organizations, prepares and submits the program applications, and administers the funds. Participation in the program allows the bank to respond to affordable housing needs in the assessment area.

Garrett County Community Action

The services provided by Garrett County Community Action are directed entirely toward

low- and moderate-income families and senior citizen programs. These programs include providing assistance in financing for first-time home buyers, rent and fuel assistance, credit counseling, and home-ownership training. Employees and officers of the bank serve as members of the Board of Directors and assist with training for first-time home buyers through workshops.

Cumberland Neighborhood Housing Services and Hagerstown Neighborhood Housing Services

Both Cumberland and Hagerstown Housing Services provide funding for low-and moderate-income individuals and minority applicants to purchase homes within targeted city neighborhoods. Employees, officers, and directors serve on committees to review and approve loans or may participate in working with area lenders to obtain funding for the program. Others have served as financial advisors to potential borrowers.

Interfaith Housing of Western MD

Interfaith Housing of Western Maryland provides assistance in funding of first-time home buyers either through new construction or rehabilitation of existing properties for low- and moderate-income individuals and families. This program operates in Garrett, Allegheny, Mineral, and Washington Counties within ATB's AAs. Many properties are located in low- and moderate-income tracts. Officers and employees of the bank serve as board members, assisting in obtaining funding, assisting with loan functions, and providing counseling and assistance through home buyer training workshops.

Tri-County Council of Western Maryland

This organization provides for business development or expansion within Garrett, Allegheny, and Washington counties. While this assistance is not limited to small businesses, it has programs specific to small business development and businesses located in low- and moderate-income tracts. Additionally, the Tri-County Council serves as a clearing house for various state and Federal programs that target low- and moderate-income individuals and minority individuals and businesses. They may also counsel prospective businesses concerning funding sources available at all levels. ATB's officers and employees serve on the general board and on the revolving loan committee, providing assistance with training, lending, and the development process.

FAIR LENDING EXAMINATION

A concurrent fair lending review did not identify any violations of the various antidiscrimination laws and regulations. ATB has an effective system in place to comply with fair lending regulations.

Multistate MSA Rating

CRA Rating for Cumberland, Maryland - West Virginia, MSA 1900: **Satisfactory** ②

The lending test is rated:	Low Satisfactory
The investment test is rated:	Needs to Improve
The service test is rated:	High Satisfactory

The bank has an adequate record of lending to all income geographies, borrowers of different income levels, and to businesses of different sizes. Community development lending within the MSA is reasonable.

Qualifying investments in this MSA are minimal. There are limited investment opportunities in this area. However, the investment and donation activities are not consistent with the capacity of the bank or its presence in the market.

The banking services provided and the accessibility to branch offices to low- and moderate-income individuals are good. The branch hours, location of ATM's, and alternative delivery systems are effective in providing access to banking services to individuals at all income levels and in all income level geographies. Community development services provided by the officers and employees serving in a capacity that utilizes their financial skills are at a good level.

Scope of Examination

The evaluation period includes January 1, 1996 to March 31, 1998. Lending activities covered the period of January 1, 1997 to March 31, 1998. The investments and services were evaluated from January 1996 to March 1998.

Description of Institution's Operations in MSA 1900 Cumberland, Maryland and West Virginia.

This AA comprises the entire MSA and it is one of the bank's most active markets. ATB operates eleven offices (46%) in Allegheny County and three in Mineral County. Two offices are located in a low income geography in the city of Cumberland in Allegheny County and five are in moderate income geographies in Mineral County. The remaining offices are in middle and upper income geographies in Allegheny County. During the evaluation period 56% of all HMDA loans originated by the bank and 56% of small business loans were in this AA. Mortgage loans are also provided through the bank's mortgage affiliate, Keystone Financial Mortgage Corporation (KFMC).

② **This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.**

Description of MSA

The AA is Allegheny County, Maryland and Mineral County, West Virginia. The AA has 32 geographies, one low-income (3%), four moderate-income geographies (13%), 24 middle-income geographies (75%), and three upper-income geographies (9%). ATB is well established in the MSA and the main office is located in Cumberland, MD. Total population in the AA is 101,650 and represents 41% of the population of the combined assessment area. Owner occupied housing units represents 65% of the total housing units. The average median housing cost is \$47,132, and the average year built is 1953. Median family income is \$33,700.

There are twenty major employers in Allegheny County. Western Maryland Health Systems, Westvaco, and CSX Transportation are examples of some of these employers. Mineral County is home of Keyser Stainless Corporation, Keyser Garment Co., and Aerospace Products Group of Hercules, Inc. The above major employers provide a stable employment base in the AA. ATB ranks first of 5 depository institutions in market share of total deposits. Competition is provided by large local banks, community banks and credit unions.

Business demographics indicate that 29 farms and 1,969 businesses are in operation within this AA of which 1,841 (92%) of the businesses are reporting annual revenues of one million or less. The majority of small businesses are in the retail and service sectors.

Determination of Community Credit Needs

Management, based on community outreach efforts has determined that the credit needs of the community are affordable housing loans for single and multi-family housing, housing rehabilitation loans, mortgage loans with lower down payments and closing expenses, and loans to small businesses for working capital and loans to start up businesses.

Community Contacts

During the examination, information from three contacts with community groups was reviewed. The groups identified the following credit needs in the MSA: housing rehabilitation financing; flexible first time home buyer programs including credit counseling; single and multi-family housing construction; mortgage and small business underwriting standards designed for applicants residing in rural communities; loans for rural development and loans to agriculture producers.

Conclusions about Performance Tests in MSA 1900 Cumberland, Maryland and West Virginia

Lending Test

During the evaluation period American Trust Bank NA originated 170 HMDA reportable loans for a total dollar volume of \$6.1 million and 241 loans to small businesses totaling \$17.7 million. Total HMDA loans originated in this MSA represent 56% of the HMDA reported loans for the banks combined AA during evaluation period. Small business loan originations in this MSA represent 56% of all such originations made during the evaluation period in the combined AAs. Lending is responsive to community credit needs. The distribution of loans by the income level of the geography, income of the borrower, and the size of businesses are adequate, and generally reflects the demographics of the MSA.

Geographic Distribution of Loans

Loans originated in the multistate MSA during the evaluation period are distributed in a reasonable manner to differing income levels of geographies within the MSA. Tables 10 and 11 show the distribution of loans by product type and among the different census tracts.

HMDA Loans

Table 10 illustrates that the bank and KFMC have a reasonable volume of lending in all geographies within the MSA. However, there is a low volume of lending in the one low-income geography. Demographic information indicates lending opportunities are limited because of the low number of housing units and a 1% owner occupancy rate. Lending in moderate income geographies is adequate with 8% of the bank's HMDA loans to borrowers in those geographies versus 13% of geographies in the MSA designated as moderate income. Most of the moderate geographies are in Mineral County and demographic information indicates that owner occupied housing in moderate geographies is 10% which reduces lending opportunities. Loans to borrowers in middle- income geographies have the greatest percentage of loans originated at 75% of total loan volume which is equal to the percentage of middle income geographies in the MSA.

A comparative analysis of the bank's performance in the same MSA in 1996 was conducted. The data from 1996 was used as it is the latest market information available. For HMDA loans, the bank's performance in 1996 in this MSA was compared to all reported lenders in the MSA. The bank did not perform as well as other banks in the moderate income geographies. The bank originated 84 loans representing 6% of the number of loans originated compared to 11% for all lenders.

In the middle and upper income geographies the bank was in the same range as all lenders with regards to the percentage of loans in those respective tracts. All lenders including this bank mirror the demographic distribution of the MSA which comprises 75% middle- income geographies .

Table 10

HMDA Loan Originations - Multistate MSA 1900 Geographic Distribution						
Geographies			Jan 97 -Mar 98			
Type	%	% Owner Occupied	# Loans	%Total	\$ (000's)	%Total
Low	3	1	1	0	125	1
Moderate	13	10	23	8	1,042	7
Middle	75	75	228	75	10,651	72
Upper	9	14	54	17	2,899	20
Total	100	100	306	100	14,717	100

Source: ATB and KFMC, 1997 and first quarter 1998 HMDA LAR

Small Business Lending

The majority of the number of loans and the total dollar amount of loans to small businesses in the combined AA were made in this MSA during the evaluation period. Table 11 illustrates that ATB has a reasonable distribution of loans to small businesses in different income geographies. Eighty-seven percent of businesses are located in middle and upper income geographies. ATB has a good record of responding to the credit needs of small businesses located in those tracts. During the evaluation period, ATB made 77% of the number of loans and 83% of the dollar amount of its small business loans in middle and upper income geographies.

Loan origination to businesses located in moderate geographies is good. Thirteen percent of businesses are located in moderate income geographies. ATB originated 18% of its small business loans in moderate income geographies, which represent 12% of the dollar amount of total loans to small businesses in the MSA. Eight percent of small businesses are located in the one low- income geography. The bank's loan originations totaled 5% in the low income geography which is adequate performance in this geography.

Twenty-one percent of businesses with annual sales of \$1 million or less are located in low and moderate- income geographies in this MSA. ATB originated 28 loans to businesses with annual revenues one million dollars or less in low- and moderate-income geographies.

In 1996, ATB had a 30% market share for small business loans and was ranked first among 59 lenders in market share for overall small business lending in the MSA. In 1996, The bank ranked first in small business loans originated in low and moderate income geographies.

Table 11

Total Small Business Loan Originations Multistate MSA 1900 Geographic Distribution				
Geographies		% Of Small Businesses	January 1997 - March 1998	
Type	# %		# Loans %Total	\$ (000's) %Total
Low	1/3	8	13/5	188/8
Mod.	4/13	13	44/18	2,046/12
Middle	24/75	62	146/61	10,856/62
Upper	3/9	17	38/16	3,809/21
Total	32/100	100	241/100	17,655/100

Source: ATB, 1997 and first quarter 1998 Small Business Loan Register

Borrowers' Profile

Loans originated during the evaluation period are adequately distributed among retail customers of different income levels, and business customers of different sizes. Tables 12 - 14 illustrate the distribution of HMDA and of small business loans based on income of customer and size of business.

HMDA Loans

Overall the bank has a good record of lending to borrowers of different incomes. Table 12, 13, and 14 that follow indicates that loans originated during the evaluation period to borrowers of different income levels are similar to the distribution of families by income in the AA. The MSA has 61% of the families as middle and upper- income and the bank originated 71% of its HMDA loans to middle and upper income borrowers. ATB has a good record in lending to moderate income borrowers. Twenty-two percent of loan originations were to moderate income borrowers compared to the 19% of families classified as moderate income. Lending to low income individuals, represented 6% of the HMDA loans compared to the 20% of low income families in the AA. The lending performance to this group of individuals is poor.

Table 12

Total HMDA Loan Originations - Borrowers' Profile Multistate MSA 1900					
Family Income		January 1997 - March 1998			
Distribution of Families	%	# Loans	%Total	\$ (000's)	%Total
Low	20	18	6	316	2
Moderate	19	66	22	2,214	15
Middle	23	88	29	3,725	26
Upper	38	130	42	8,168	55
NA*	0	4	1	294	2
Total	100	306	100	14,717	100

Source: ATB and KFMC 1997 and first quarter 1998 HMDA LAR

*No income Reported

Small Business Lending

The distribution of small business loans to all businesses is adequate. The table that follows illustrates loans based on size of business. It shows good penetration to business customers of different sizes with the majority of loans to businesses with annual revenues of one million dollars or less.

Table 13

Small Business Loan Originations to All Businesses* Multistate MSA 1900				
Revenue Size	# of Loans	% of Total	\$ Originated (000s)	% of Total \$
Less than or equal to \$1 million	134	56	8,693	49
Greater than \$1 million	43	17	5,633	32
Unknown**	64	27	3,329	19
Total	241	100	17,655	100

* Evaluation period January 1997 - March 1998 ** Revenues not reported or not used in credit decision process (credit scored) Source: ATB, 1997 and first quarter 1998 Small Business Loan Register

The origination of small loans represents a substantial majority of loans to businesses with gross

annual revenues of \$1 million or less. This represents good responsiveness to an identified need for small loans to small businesses. Table 14 illustrates that 84% of the number and 48% of the dollar amount of loans were for less than \$100 thousand.

Table 14

Small Business Loan Originations to Small Businesses*				
Multistate MSA 1900				
Loan Size (000s)	# of Loans	% of Total	\$ Originated (000s)	% of Total
Less than \$100	113	84	4,213	48
\$100-\$250	16	12	2,456	28
\$250-\$1,000	5	4	2,024	24
Total	134	100	8,693	100

*Small businesses with annual revenues of \$ 1 million or less.

Source: ATB, 1997 and first quarter 1998 HMDA- LAR

Community Development Lending

No community development loans were originated in this MSA.

Innovative and Flexible Loan Products

ATB offers all products described in the overall lending test for the institution in the front section of this report. All products listed in that section are offered in this MSA.

Investment Test

Qualifying investments in this MSA during the evaluation period are minimal and limited to donations. In 1997, \$500 was contributed to an organization that offers inexpensive health checkups to LMI individuals. ATB also made a \$500 contribution to this program in 1996. No qualified donations were made in the first quarter of 1998.

Service Test

ATB has a branching system supplemented by ATM's that provide a good level of access to the community, including low- and moderate-income individuals and those residing in low and moderate income geographies. ATB operates fourteen branch offices in this MSA. Hours of operation are adequate to provide access to the banking system by low- and moderate-income individuals. Alternative delivery systems are available and include the use of a mobile office.

Community Development Services

The level of participation in community groups and activities designed to promote affordable housing and other programs that service needs of low- and moderate-income families and individuals are good. Please refer to the Service Test comments in the front section of this report for further comments on bank delivery systems and community development services.

State Rating

CRA Rating for : The State of Maryland is Satisfactory ③

The lending test is rated: **Low Satisfactory**
The investment test is rated: **Needs to Improve**
The service test is rated: **High Satisfactory**

Scope of Examination

The examination scope reviewed two assessment areas located in the state of Maryland that are not part of multi state MSA 1900. The assessment areas are MSA 1380, Hagerstown, and Garret County a non-MSA. The evaluation does not include a review of activities in Allegheny County which is part of the multistate MSA 1900 and was evaluated as part of the analysis of that MSA.

The evaluation period for the lending test is from January 1997 to March 1998. The investment and service tests cover the period from January 1996 to March 1998.

Description of Institution's Operations in Maryland

ATB entered the Hagerstown market in the second quarter of 1997 when it acquired the Washington County National Bank and First Federal Savings Bank. The bank operates twelve offices in the AA, six (50%) are located in middle income geographies one (8%) is in a low income geography in downtown Hagerstown, and five (42%) are located in moderate income geographies. The major population center is the city of Hagerstown and the balance of the population is disbursed throughout the suburban and rural areas of Washington County.

Description of Assessment Areas

Garret County (Non-MSA): The AA is all of Garret County, Maryland. The AA consists of seven geographies, 6 (86%) moderate income geographies and, 1 (14%) middle income geography. There are no low income and upper-income geographies in this AA. Total population is 28,000 and constitutes 11% of the combined AAs population. Owner occupied housing within this AA is 61%. The median housing cost is \$41,000 and the average year built is 1968. The statewide nonmetropolitan median family income is \$33,695. The updated nonmetropolitan median family income is \$44,100.

- ③ **For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in parts of those states contained within the multistate area.**

The major employers in the county are Madoc Coal Corp.(275 employees), Flushing Shirt Uniform Co. (240 employees), and The Data Entry Company, Inc.(175 employees). There are 13 other major employers in the county with numbers of employees ranging from 30 to 160. The county is a recreational center and tourism is a source of employment and provides a revenue stream for small businesses. There are 639 businesses in the assessment area, 562 (88%) of these businesses have annual sales of \$1 million or less and are considered small businesses.

Business demographics for this AA indicate 17 farms and 639 businesses of which 562 were reporting annual sales of less than one million are operating within the AA. Similar to the combined AA, the majority of small businesses are in the service and retail sectors.

Hagerstown (MSA 3180): The AA is all of Washington County, Maryland. The AA consists of 29 geographies, one low-income geography, (3%), six moderate-income geographies (21%), 17 middle-income geographies (59%), four upper-income geographies (14%), and 1 (3%). Geography with no income reported. Total population is 121,400 and represents 48% of the combined AA population. Owner occupied housing represents 60% of the total housing units in the AA. The median housing cost is \$79,467 and the median year built is 1959. The updated median family income is \$43,800. The MSA median family income is \$34,614. The major employers are Citicorp, First Data Merchant Services, Mack Trucks, Inc., and Garden State Tanning who each employ more than 1,000 people. There are 13 other employers with staff numbers ranging from 100 to 999 in Washington County. ATB ranks 5th in deposit market share of 10 banks in the AA with 11% of the total deposits.

Business demographics for this AA indicate the presence of 94 farms and 2,992 businesses, of which 2,668 were reporting annual sales of less than one million. Similar to the combined AA, the majority of small businesses are in the service and retail sector and employ less than five employees.

Determination of Community Credit Needs

Management has determined, through community outreach efforts, that the credit needs of the community are affordable housing loans for single and multi-family housing, housing rehabilitation loans, mortgage loans with lower down payments and closing expenses, and loans to small businesses.

Community Contacts

During the examination, four contacts with community groups identified the following credit needs: housing rehabilitation financing programs; flexible first time home buyer programs including credit counseling; single and multi-family housing construction; mortgage and small business underwriting standards designed for applicants residing in rural communities; loans for rural development, and credit for farming.

Conclusions about Performance Tests in Maryland

Lending Test

During the evaluation period, 131 HMDA reportable loans originated by ATB in the two AAs for a total dollar volume of \$4.2 million and 186 loans to small businesses totaling \$17.1 million were also originated. Forty four percent of ATB's combined AA HMDA lending was conducted in Maryland, excluding the portions of Maryland in the multistate MSA. Small business lending originations in these AAs represent 44% of all such loans made in the evaluation periods in the combined AA.

Lending is responsive to community credit needs. The distribution of loans by income of the geographies and borrower income is adequate, and reflects the demographics of the MSA. In addition to HMDA loans originated in the name of ATB, the mortgage affiliate KFMC originated an additional 142 HMDA loans totaling \$16.6 million. Lending activities of KFMC are used in the geographic and borrower income analyses.

Geographic Distribution of Loans

The loan originations in the two AAs during the evaluation period are adequately distributed within different income geographies. The bank has an excellent record of lending to small businesses, located in moderate income geographies. KFMC and ATB both have an excellent record in housing related loans in moderate income geographies in the AA (State of Maryland). The tables that follow reflect the distribution of loans among the different geographies.

HMDA Loans

Table 15 illustrates good performance in lending to the different income geographies within the combined AA in Maryland. The bank and KFMC have a high volume of lending to moderate income geographies within the combined MSA and non-MSA. However, a low volume of lending in the one low-income census tract is evident. Demographic information indicates lending opportunities are limited as a result a 1% owner occupancy rate. Loan originations in moderate tracts is excellent and exceeds the percentage of moderate tracts by a wide margin (68 versus 33%). All of the lending in moderate income BNAs is in Garret County, the non-MSA. The percentage of loans to middle and upper income geographies is less than the percentage of middle and upper tracts in the demographic composition of the two AAs.

A comparison to all lenders in the Garret County market was conducted using 1996 market share data, the most recent data available. A comparative analysis for Hagerstown MSA was not conducted as ATB did not have a presence in that market in 1996. All lenders in Garret County reported 81% of loans were made in moderate income geographies and 19% in middle income geographies. ATB had 77% of loan originations in moderate income geographies and 22% in middle income geographies.

Table 15

Total HMDA Loan Originations - State of Maryland Geographic Distribution						
Geographies			Jan 97 -Mar 98			
Type	#	%	# Loans	%Total	\$ (000's)	%Total
Low	1	3	0	0	0	0
Moderate	12	33	186	68	11,729	56
Middle	18	50	82	30	8,966	43
Upper	4	11	5	2	115	1
NA*	1	3	0	0	0	0
Total	36	100	273	100	20,810	100

Source: ATB & KFMC 1997 and first quarter 1998 HMDA-LAR *No income reported

Small Business Lending

Forty four percent of all small business loans originated during the evaluation period in the institutions combined AA was conducted in the State of Maryland Table 16 illustrates the banks good performance in originating small business loans by geographies. The majority (79%) of small businesses are located in middle and moderate income geographies. Sixty percent of ATB's number of loans to small businesses were to those located in moderate income geographies and 28% in middle income geographies. Eighty-one percent of the dollar amount of loans was to businesses in moderate and middle income geographies. The volume of small business loans originated in moderate income geographies represents 47% of total small business loans in the two assessment areas.

The bank has an excellent record of originating small business loans in moderate income geographies. Almost all of the lending in moderate income geographies was in the non-MSA AA in Garret County. Garret County has six moderate income geographies that have 537 small businesses. The Hagerstown MSA has 581 small businesses. Lending to businesses in low and upper income geographies was less than the percentage of businesses in each category. The one low income geography located in downtown Hagerstown, in the Hagerstown MSA, has 283 businesses of which 251 (89%) report annual sales of \$1 million or less.

Thirty nine percent of businesses with annual sales of \$1 million or less are located in low and moderate- income geographies in these two assessment areas. Seventy-eight loans or 66% of the 119 loans in low- and moderate-income geographies were to businesses with annual revenues of \$1 million or less and performance to this sector is considered as strong.

Table 16

Total Small Business Loan Originations State of Maryland Geographic Distribution				
Geographies		% Of Small Businesses	January 1997 - March 1998	
Type	# %		# Loans %Total	\$ (000's) %Total
Low	1/3	8	7/4	437/3
Moderate	12/33	31	112/60	8,069/47
Middle	18/50	48	51/28	5,879/34
Upper	4/11	13	16/8	2,745/16
NA*	1/3	0	0	0
Total	36/100	100	186/100	17,130/100

Source: ATB 1997 and 1st quarter 1998 ATB Small Business Loan Register *No income reported

Borrowers' Profile

The bank and its affiliate have an excellent record of responding to the credit needs of moderate income borrowers. The bank has under performed in responding to the low income segment of the market. A similar pattern is exhibited in lending to business borrowers based on size of business.

HMDA Loans

Table 17 reflects the bank's and its mortgage affiliate KFMC HMDA reportable loans originated during the evaluation period to borrowers of different income levels. The bank has an excellent record of lending to moderate income individuals. Seventy-one percent of loan originations were to moderate income borrowers compared to the 20% of families identified in the AA as moderate income. Twenty six percent of the families in the AA are middle income. The bank originated 22% of its loans to middle income borrowers. This performance is adequate when compared to the middle income family distribution, in the AA. Lending to low income individuals, represented 1% of the HMDA loans compared to 20% of low income families in the AA.

The majority of loans to moderate income borrowers occurred in Garret County where 67% of the loans originated. In Garret County 24% of the families have moderate incomes and 27% have low incomes.

A 1996 market share report for the AA's in the State of Maryland, latest available, indicates that all reporting lenders originated 6% of their loans to low income borrowers, 18% to moderate income borrowers, 29% to middle income borrowers, and 42% to upper income borrowers. No comparisons were made as ATB did not have a presence in the Hagerstown MSA until 1997.

Table 17

Total HMDA Loan Originations - Borrowers' Profile State of Maryland					
Family Income		January 1997 - March 1998			
Distribution of Families	%	# Loans	%Total	\$ (000's)	%Total
Low	20	3	1	59	1
Moderate	20	194	71	12,092	58
Middle	26	61	22	7,555	36
Upper	34	15	6	1,104	5
Total	100	273	100	20,810	100

Source: ATB 1997 and 1st quarter 1998 ATB Small Business Loan Register

Small Business Lending

The distribution of small business loans to businesses of different sizes is good. Table 18 shows small business loans by revenue size and how well the bank has served the credit needs of businesses with annual revenues of \$1 million or less.

Table 18

Small Business Loan Originations to All Businesses* State of Maryland				
Revenue Size	# of Loans	% of Total	\$Originated (000s)	% of Total
Less than or equal to \$1 million	122	66	9,009	53
Greater than \$1 million	27	15	4,408	26
Unknown **	37	19	3,713	21
Total	186	100	17,130	100

* Evaluation period January 1997 - March 1998

**Revenues of businesses not reported

Source: 1997 and 1st quarter 1998 ATB Small Business Loan Register

The origination of small loans represents a substantial majority of loans to businesses with gross annual revenues of \$1 million or less. This represents good responsiveness to an identified need for small loans to small businesses. Table 19 below indicates that 84% of the number and 38% of the dollar amount of such loans were for less than \$100 thousand.

Table 19

Small Business Loan Originations to Small Businesses* State of Maryland				
Loan Size (000S)	# of Loans	% of Total	\$Originated (000s)	% of Total
Less than \$100	102	84	3,449	38
\$100-250	14	11	2,346	26
\$250-\$1,000	6	5	3,214	36
Total	122	100	9,009	100

*Small businesses with annual revenues of less than one million Source: 1997 and 1st quarter 1998 ATB Small Business Loan Register

Community Development Lending

The bank has an adequate level of community development loans in these two assessment areas. In Garret County, the bank has a commitment totaling more than \$3 million in loans to a community group for use in construction of low income rental housing and a day care center for children of low income residents. See Community Development Loans in the front section of this report for additional information on this loan commitment.

Innovative and Flexible Loan Products

ATB offers all products described under the lending test in the front section of this report. All products listed in that section are offered in these assessment areas.

Investments

Qualified investments including donations and grants are minimal in these two assessment areas. Performance is consistent with that of the overall bank. See Investment comments in sections of this report for Hagerstown MSA and Garret County.

Service Test

The bank operates 12 offices in Garret and Washington counties. The hours of operation and use of alternative delivery systems, such as, ATM's and a mobile banking office are consistent with the performance of the overall bank. See comments in front section of this report for Service Test for additional information.

Community Development Services

The bank has a good record of assisting community groups that provide affordable housing, credit counseling and other needed services to low and moderate income residents in Garret County and the Hagerstown MSA (Washington County). See the front section of this report for additional information on Community Development Services in these two assessment areas.

MSA Performance Conclusions

Description of the Institution's Operations in the Hagerstown MSA (3810)

Description of the MSA

The performance in this MSA is not consistent with the institution's performance in the State of Maryland. However, it does not change the rating for the State of Maryland.

Hagerstown: ATB entered the Hagerstown market in the second quarter of 1997 when it acquired the Washington County National Bank and First Federal Savings Bank. The bank has designated the entire 29 geographies of the Hagerstown MSA Number 3810 as its AA. The bank operates seven offices in the MSA, six of which are located in middle income geographies and one located in a low income geography in downtown Hagerstown. The major population center is the city of Hagerstown and the balance of the population is disbursed throughout the suburban and rural areas of Washington County.

The MSA consists of 29 geographies, one low-income geography (3%), six moderate-income geographies (21%), 17 middle-income geographies (59%), four upper-income geographies (14%), and 1 non income reporting (NA) geography (3%). The total population is 121,400 and represents 48% of the combined AAs. Owner occupied housing represents 60% of the total housing units in the AA. However, rental occupancy has a strong presence in moderate and low income tracts. The average median housing cost is \$79,467 and the average median year built is 1959. The updated median family income is \$43,800. The MSA median family income is \$34,614. The major employers are Citicorp, First Data Merchant Services, Mack Trucks, Inc., and Garden State Tanning who each employ more than 1,000 people. There are 13 other employers with staff numbers ranging from 100 to 999 in Washington County. ATB ranks 5th in deposit market share of 10 banks in the AA with 11% of the total deposits.

Business demographics for this MSA indicate the presence of 94 farms and 2,992 businesses of which 2,668 (89%) reported annual sales of \$1 million or less. Similar to the combined AA, the majority of small businesses are in the service and retail sector and employ less than five employees.

Lending Test

The volume of HMDA and business lending has been at very low levels during the evaluation period. ATB entered the Hagerstown MSA market in the second quarter of 1997. During limited period of operation in the MSA, the bank and KFMC (mortgage affiliate) originated a very low number of HMDA reportable loans. HMDA reportable lending in this MSA by ATB is 18 originations. The mortgage affiliate KFMC originated an additional 18 HMDA reportable loans. The marketplace for HMDA lending has been active as demonstrated by the number of originations recorded by other lenders.

ATB originated 61 small business loans, totaling \$7.3 million, during the evaluation period representing 14% of the total number of small business loans originated. Additionally, 39 of the 61 loans or 64% were to businesses with annual revenues of \$1 million or less. ATB has 22% of its small business loans to businesses located in low- and moderate-income geographies.

Geographic Distribution of Loans

HMDA Loans

Table 20 illustrates distribution of HMDA loans to low and moderate income geographies are below the percentage of low and moderate income geographies in the MSA. The opportunities housing loans in the one low income geography are limited as only 1% of the housing stock is owner occupied. Lending in moderate income geographies is below the percentage of moderate income geographies in the MSA and less than the owner occupancy rate. Most of the HMDA reportable lending activity has been in middle and upper geographies, which comprises the majority of geographies in the MSA.

Table 20

Total HMDA Loan Originations Hagerstown MSA 3810 Geographic Distribution						
Geographies			Jan 97 -Mar 98			
Type	%	% Owner Occupied	# Loans	%Total	\$ (000's)	%Total
Low	3	1	0	0	0	0
Moderate	21	10	2	6	7	0
Middle	59	68	29	80	1,859	94
Upper	14	21	5	14	115	6
Na*	3	0	0	0	0	0
Total	100	100	36	100	1,981	100

Source: ATB and KFMC, 1997 and 1st quarter HMDA-LAR * NA - No income reported

Small Business Lending

Table 21 that follows reflects ATB's distribution of small business loans to low and moderate income geographies are good when compared to the percentage of small businesses in the area. Thirty-nine (64%) of the 61 small business loans were made to businesses with annual revenues of \$1 million or less.

Table 21

Total Small Business Loan Originations Hagerstown MSA 3810 Geographic Distribution				
Geographies		% Of Small Businesses	January 1997 - March 1998	
Type	# %		# Loans %Total	\$ (000's) %Total
Low	1/3	10	7/12	437/6
Moderate	6/21	19	10/16	208/3
Middle	17/59	55	28/46	3,906/54
Upper	4/14	16	16/26	2,745/37
NA*	1/3	0	0	0
Total	29/100	100	61/100	7,296/100

Source: 1997 and 1st quarter 1998 ATB Small Business Loan Register *NA, No income reported

Borrower Profile:

HMDA Loans

As shown in table 22 below, the distribution of HMDA loans based on borrower income in this MSA is good for moderate income borrowers and reasonable for low income borrowers when compared to the distribution of family income. Eight percent of loans in the MSA were to low income borrowers versus 17% of families identified as low income. Loans to moderate income borrowers are good as represented by the 28% of loans to moderate income borrowers versus 19% of families identified as moderate income.

Table 22

Total HMDA Loan Originations - Borrowers' Profile Hagerstown MSA-3810					
Family Income		January 1997 - March 1998			
Distribution of Families	%	# Loans	%Total	\$ (000's)	% Total
Low	17	3	8	59	3
Moderate	19	10	28	370	19
Middle	27	8	22	448	22
Upper	37	15	42	1,104	56
Total	100	36	100	1,981	100

Source: 1997 and 1st quarter 1998 ATB&KFMC HMDA-LAR

Small Business Loans

The percentage of small business loans for less than \$100,000 (75%) made in this MSA is excellent and exceeds the ratio for the overall bank. Loans to small size businesses (annual revenues \$1 million or less) accounted for 34 (74%) of the 46 loans for less than \$100,000. Thirty-nine (64%) of the 61 small business loans originated were to businesses with annual revenues of \$1 million or less.

Table 23

Small Business Loan Originations Hagerstown MSA 3810				
Loan Size (000s)	# of Loans	% of Total	\$ Originated (000s)	% of Total
Less than \$100	46	75	1,717	23
\$100-250	8	13	1,363	19
\$250-\$1,000	7	12	4,216	58
Total	61	100	7,296	100

Source: 1997 and 1st quarter 1998 ATB Small Business Loan Register

Community Development Lending

The bank has no community development lending in this MSA during the evaluation period.

Innovative or Flexible Lending Practices

Lending programs discussed earlier in this report including Affordable Consumer Loan, The Key Opportunity Mortgage and The Credit Establishment Program are offered in this MSA.

Investment Test

ATB has minimal qualified investments and donations in this AA. During the evaluation period, ATB made a \$1,200 donation to a provider of a low- and moderate-income first-time home ownership loan program in the West End of Hagerstown. The funds were for payroll and operating expenses. ATB has no other qualified investments or donations in this AA during the evaluation period. The performance under this evaluation factor is consistent with the overall investment performance of ATB.

Service Test

Services offered are consistent with those offered throughout the remaining AAs, refer to the overall comments regarding **Service Test** performance.

Community Development Services

ATB has a reasonable level of community development services in this MSA. Refer to the Service Test section of this report, for additional information.

Nonmetropolitan Statewide Areas

Description of Institution's Operations in Garret County, Maryland:

Garret County (Non-MSA): The AA is all of Garret County, Maryland. The AA consists of seven geographies, 86% are moderate income geographies and 14% are middle income geographies. There are no low and upper income geographies in this AA. Total year round population is 28,000 as identified in the 1990 census and represents 11% of the combined AAs population. Owner occupied housing within this AA is 61% and the median housing cost is \$66,000 and the median year built is 1968. The statewide nonmetropolitan median family income is \$33,695. The updated nonmetropolitan median family income is \$44,100. Twenty-eight percent of the families are low income, and 24% are moderate income families. The ability of low income individuals and families to purchase a home is reduced by the level of income versus affordable housing and housing expenses.

The major employers in the county are Madoc Coal Corp., Flushing Shirt Uniform Co., and The Data Entry Company, Inc. There are 13 other major employers in the county with numbers of employees ranging from 30 to 160. The Garret County area is a tourism center and is a popular location for second homes owned by non residents. The Deep Creek recreational center provides seasonal employment and supports a number of small businesses. The county is rural in nature with Oakland representing a population center. Competition is provided by two other similarly situated financial institutions and ATB has a 43% market share of the deposits. ATB operates five offices in the county all located in moderate income tracts. Mortgage loans are provided by the banks affiliate KFMC.

Business demographics for this AA indicate the presence of 17 farms and 639 businesses of which 562 (88%) were reporting annual sales of one million or less. Similar to the combined AA, the majority of small businesses are in the service and retail sectors.

Conclusions about Performance Tests in Garret County, Maryland

The performance in this non- MSA is consistent with the performance in the State of Maryland.

Lending Test

Overall, the bank has a good record of serving the needs of the residents of the county. Thirty eight percent of ATB's HMDA originations were in this AA. During the evaluation period 113 loans totaling \$3.8 million were originated by ATB. The originations consisted of 75 home improvement loans, 38 refinance loans, and 4 home purchase mortgage loans. Lending to small businesses in this AA is excellent as reflected by the 125 originations totaling \$9.9 million. Eighty-three loans or 66% were to businesses with annual revenues of one million or less.

KFMC (mortgage affiliate) originated 114 HMDA reportable loans totaling \$12.1 million in this AA during the evaluation period. ATB and KFMC originations are used in the geographic and borrower income analyses.

Geographic Distribution of Loans

HMDA Loans

Table 24 shows the distribution of HMDA loans in the two income levels in this AA. Lending based on geographies is adequate in both income levels. Lending in moderate income geographies is slightly below the percentage of moderate income geographies and the percentage of owner occupancy in those geographies.

Table 24

Total HMDA Loan Originations -Garret County Geographic Distribution						
Geographies			Jan 97 -Mar 98			
Type	%	% Owner Occupied	# Loans	%Total	\$ (000's)	%Total
Low	0	0	0	0	0	0
Moderate	86	87	184	78	11,722	62
Middle	14	13	53	22	7,107	38
Upper	0	0	0	0	0	0
Total	100	100	237	100	18,829	100

Source: 1997 and 1st quarter 1998 ATB&KFMC HMDA-LAR

Small Business Loans:

Table 25 below shows ATB's distribution of small business loans to moderate income geographies is good when compared to the percentage of small businesses in the area. Sixty seven (66%) loans were made to small businesses located in moderate income geographies.

Table 25

Small Business Loan Originations Garret County Geographic Distribution				
Geographies		% Of Small Businesses	January 1997 - March 1998	
Type	# %		# Loans %Total	\$ (000's) %Total
Low	0	0	0	0
Moderate	6/86	82	102/82	7,861/80
Middle	1/14	18	23/18	1,973/20
Upper	0	0	0	0
Total	7/100	100	125/100	9,,834/100

Source: 1997 and 1st quarter ATB Small Business Loan Register

Borrower Profile:

HMDA Loans

As shown in Table 26, ATB's distribution of HMDA loans to moderate income borrowers in this assessment area is good. Thirty percent of the loan originations were to moderate income individuals or families versus 24% of families classified as moderate income. Lending to low income individuals is poor with 14% of originations versus 28% of families in the county designated as low income. Garret County has a significant portion of its population designated as low income compared to the other AA's. The updated median family income of \$44,100 versus the median cost of housing at \$67,000 may impact housing sales to low income families or individuals. In 1996, 49 loans were originated, by all lenders, to low income borrowers. The 1996 data is the most recent data available. One lender, of the total seven lenders, reported an 85% market share with 42 loans.

Table 26

Total HMDA Loan Originations - Borrowers' Profile Garret County					
Family Income		January 1997 - March 1998			
Distribution of Families	%	# Loans	%Total	\$ (000's)	% Total
Low	28	34	14	717	4
Moderate	24	71	30	2,643	14
Middle	22	51	22	2,670	14
Upper	26	81	34	12,799	68
Total	100	237	100	18,829	100

Source: 1997 and first quarter 1998 ATB and KFMC HMDA-LAR

Small Business Loans

The percentage of small business loans for less than \$100,000 represents 81% of loans made in this AA. Loans to small size businesses (annual revenues one million or less) accounted for 67% of small business loans for less than \$100,000. During the evaluation period ATB originated 83 (66%) of its small business loans to businesses with annual revenues of \$1million or less. This performance is responsive to the needs of the business community for small dollar loans. Table 27 illustrates the banks performance in originating small business loans.

Table 27

Small Business Loan Originations Garret County				
Loan Size (000s)	# of Loans	% of Total	\$ Originated (000s)	% of Total
Less than \$100	101	81	3,775	38
\$100-\$250	18	14	2,942	30
\$250-\$1,000	6	5	3,117	32
Total	125	100	9,834	100

Source: 1997 and 1st quarter 1998 ATB Small Business Loan Register

Community Development Lending

The bank has a commitment to lend \$3.3 million to a community group for development of a low- and moderate-income housing and day care facility. This is a major undertaking and reflects the participation of a number of parties including a governmental agency and is part of a national test project for rural housing development. Please refer to the Community Development Lending comment which appears earlier in this report for details on community development lending in this AA.

Innovative or Flexible Lending Practices

Lending programs discussed earlier in this report including Affordable Consumer Loan, The Opportunity Mortgage and The Credit Establishment Program are offered in this AA.

Investment Test

ATB has minimal qualified investments and donations in this AA. As of May 1998, ATB has contributed \$5,000 to a youth program that sponsors a low-income youth camp program.

The level of investment activity including donations and grants is minimal on the part of ATB and is consistent with the performance of the overall bank. See Investment comments in front section of this public evaluation for additional details.

Service Test

ATB has five branch offices in this county. The services offered are consistent with those offered throughout the remaining assessment areas. The bank provides a reasonable level of community development services in this assessment area. Refer to the Service Test performance section of the report for details.

Appendix A

Scope of Examination

Time Period Reviewed	January 1996 to March 31, 1998		
Financial Institution American Trust Bank Cumberland, Maryland			Products Reviewed Mortgage, consumer, small business, and community development loans.
Affiliate(s)	Affiliate Relationship		Products Reviewed
Keystone Financial Mortgage Corporation	Subsidiary of Keystone National Bank		Residential mortgage loans
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
MSA 3810, Hagerstown, MD	off-site	none	none
Garret County, Maryland Non-MSA	off-site	none	none
MSA 1900, Multi-State, Cumberland, MD	off-site	none	none