



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**National Penn Bank
Charter Number: 2137**

**Philadelphia and Reading Avenues
Boyertown, Pennsylvania 19512**

Office of the Comptroller of the Currency

**Eastern Pennsylvania Field Office
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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 **National Penn Bank (NPB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	National Penn Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Low Satisfactory			
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:

- NPB lending levels reflect good responsiveness to community credit needs;
- A substantial majority of home mortgage loans and small loans to businesses are originated within the assessment area (AA);
- The geographic distribution of home mortgage loans and small loans to businesses reflect adequate penetration within the AA and a good distribution of loans among borrowers of different income levels;
- Community development lending had a positive impact on the Lending Test;
- Investments reflect good responsiveness to the identified needs in the AA;
- Retail service delivery systems are readily accessible to geographies and individuals of different income levels throughout both full-scope AAs; and
- NPB provides a high level of community development services.

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

National Penn Bank (NPB) is an intrastate community bank headquartered in Boyertown, PA, with total assets of \$3.1 billion as of June 30, 2003. In 2001, the bank acquired Community Independent Bank, Inc., a \$100 million one-bank holding company headquartered in Bernville, PA. NPB is a full service bank offering a wide range of commercial and personal banking products.

NPB has four operating subsidiaries, Penn 1st Financial Services (PFFS), National Penn Leasing Company (NPLC), Link Financial Services, Inc. (LFSI) and Penn Securities. PFFS, the bank's mortgage banking subsidiary, provides traditional and nonconforming residential mortgage loans. A significant majority of the loans originated by PFFS are purchased by NPB. NPLC, a commercial equipment leasing subsidiary, was formed in November 2002. The lending activities of NPLC are not included in this evaluation. LFSI is a life insurance agency and Penn Securities is a full service brokerage firm and insurance agency. The activities at LFSI, Penn Securities, NPLC and PFFS do not impact the bank's CRA activities and are not included in this evaluation.

NPB is the principal banking subsidiary of National Penn Bancshares, Inc. (NPBI), a bank holding company with total consolidated assets of \$3,371 million as of June 30, 2003. During the evaluation period, NPBI acquired and subsequently sold a \$110 million community bank headquartered in Ft. Lee, NJ. In February 2003, NPBI acquired First Service Bank, a \$400 million community bank headquartered in Doylestown, PA, which operates as a division of NPB. The holding company also operates Investors Trust Company, FirstService Capital, FirstService Insurance, National Penn Investments and National Penn Life Insurance Company. National Penn Investments is an investment subsidiary that holds a portion of NPB's investment portfolio, including some community development investments. These investments were included in this evaluation.

NPB has 61 banking facilities located throughout southeastern Pennsylvania, which includes 58 full-service branch offices and three locations chartered as full service branches operating solely as business loan centers. Thirty-five branch offices are located in the Philadelphia AA and 17 branch offices are located in the Reading AA. In addition, there are 62 proprietary Automatic Teller Machines (ATMs). Of the 62 ATMs, 7 are cash dispensing and 5 are deposit-taking machines that are at remote locations.

Since the last evaluation, NPB opened four new branch locations and closed nine branch locations. Three of the offices closed during the period were a result of overlap and proximity of existing offices to acquired sites. Two represented branch sales to a former affiliate bank, Panasia Bank, which included the only office closed that was in a moderate-income geography. NPB also acquired 12 new branch locations as a result of the First Service Bank acquisition. These activities are fully discussed in the Service Test section of this Evaluation.

NPB remains a community bank with a primary focus on serving the retail and commercial needs of its markets. As of June 30, 2003, total bank assets were \$3,107 million. Net loans and leases of \$1,977 million represented 64% of total assets. Total deposits were \$2,271 million. The loan portfolio is primarily centered in commercial and commercial real estate loans, which comprised \$1,106 million or 56% of the loan portfolio. Residential mortgage

loans accounted for 34% or \$666 million of the loan portfolio. The remaining loan portfolio consisted of the following: 6.5% or \$128 million in construction/development loans, 2.8% or \$55 million in consumer loans and 3.4% or \$67 million in agriculture loans, lease financing and other loans. Tier 1 Capital as of June 30, 2003 was \$202 million.

The bank's primary strategy is to make loans within its designated trade area. NPB is in a highly competitive marketplace. Competition comes from large community banks, regional and national financial institutions as well as credit unions, non-bank financial institutions and mortgage companies.

In addition to offering commercial and personal banking products, various divisions within the bank focus on specific markets, including private banking, mutual fund and investment products, residential mortgage lending, subprime lending and commercial equipment leasing. NPB is an active Small Business Administration (SBA) lender under the Preferred Lender Program. During the evaluation period, the bank originated 184 loans totaling \$40 million. NPB was ranked #71 among the top 500 SBA lenders in the nation and ranked the third largest Pennsylvania based SBA lender for the fiscal year ending September 30, 2002. The bank is also an active participant in the secondary residential mortgage market. During the evaluation period, NPB sold 297 loans totaling \$35 million to the Federal Home Loan Mortgage Corporation.

There were no financial or legal impediments to hinder NPB's ability to help meet the community's credit needs. NPB's last CRA Performance Evaluation was dated October 2, 2000 and the overall rating assigned was "Satisfactory".

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the Lending Test is July 1, 2000 through December 31, 2002. CRA data reviewed for this evaluation covered home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) and small loans to businesses. For community development (CD) loans, the Investment and Service Tests, the evaluation period covered October 3, 2000 through November 17, 2003. An analysis of small loans to farms was not meaningful and was not conducted. Small loans to farms are not a primary business line of the bank.

Data Integrity

As part of this CRA evaluation, NPB publicly filed information on HMDA reportable loans and loans to small businesses were tested for accuracy. No significant errors were found in the reported home mortgage, small business loan or small farm loan 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

NPB has four AA in southeastern Pennsylvania consisting of portions of the Philadelphia MSA – 6160 (Philadelphia AA), the entire Reading MSA – 6680 (Reading AA), portions of Allentown-Bethlehem-Easton MSA – 0240 (Lehigh AA), and portions of the Lancaster MSA – 4000 (Lancaster AA). Two of the bank's AAs were selected for a full scope review, the Philadelphia AA and the Reading AA. These areas comprised the majority of NPB's deposit and loan market, 93% and 92%, respectively, and are representative of the bank's operations. The Lehigh and Lancaster AAs are not considered primary markets for NPB. NPB's limited presence in these AAs was a determinant in the selection for a limited scope review. The areas selected for full scope reviews received the most weight when determining the overall rating. Please refer to Appendix B for additional information regarding the market profit of the AA.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. When determining the overall rating, the Philadelphia AA received the most weight as 56% of the bank's lending activities and 55% of deposits were originated in this AA. The Reading AA ranked second and received proportionate weighting as 35% and 37% of loans and deposits, respectively, were originated within this AA. When determining overall conclusions for the Lending Test, home mortgage products and small business lending activities were given equal weight as they represent the primary loan products for the bank. Furthermore, home purchase loans and small business loans were identified as a primary credit need in the bank's AA. Community development lending had a positive impact on the Lending Test rating and received a considerable amount of consideration in our analysis.

Other

Community contacts were performed during this examination with a governmental small business agency and a non-profit community action group in the Philadelphia AA, and a county economic development corporation and a small business development corporation in the Reading AA. Reviews were also performed of three previously documented community contacts covering the AAs. These community contacts consisted of a county housing development corporation, a community development financial institution (CDFI) and a community group. We ascertained that affordable housing in low- and moderate-income areas and lending to small businesses were primary credit needs of the AAs. Our contacts specifically praised NPB's efforts, citing the bank as a leader among area banks in small business lending, support of affordable housing programs, and lending to low- and moderate-income individuals.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

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 Philadelphia AA and the Reading AA is good.

Lending Activity

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

Lending activity in the Philadelphia and Reading AAs is **good** when considering the strong competition in both AAs, and is reflective of the credit needs of the community. NPB originated 92% of all home mortgage loans, small loans to businesses and small loans to farms within the combined full-scope AAs. In the Philadelphia AA, 45% of the volumes of loans originated during the evaluation period were home mortgage loans, with small loans to businesses comprising 54%. In the Reading AA, 63% of the volumes of loans originated during the evaluation period were home mortgage loans, with small loans to businesses comprising approximately 37%. The volume of small farm loans is not material as agricultural lending is not a primary business line of the bank.

Among the volume of home mortgage loan originations in the Philadelphia AA, 12% were for home purchase, 32% were for home improvement, 54% were for home refinance and 2% were for multifamily loans. Among home mortgage loan originations in the Reading AA, 16% were for home purchase, 32% were for home improvement and 52% were for home refinance.

NPB has 36 branches and 55% of the bank's deposits are in the Philadelphia AA. The bank is ranked 9th out of 96 financial institutions in this AA, with a 1.85% market share. By individual counties, the bank ranks 11th among deposit taking institutions with a 3.85% market share in Bucks County; 10th in Chester County with a 4.43% market share; 12th in Montgomery County with a 2.64% market share; 20th in Philadelphia County with a 0.48% market share; and 23rd in Delaware County with a 0.50% market share.

NPB is ranked competitively among mortgage lenders in the Philadelphia AA. Based on the 2002 HMDA Peer Mortgage Data, NPB ranks 72nd out of 668 lenders with a 0.29% market share in overall home mortgage lending. Although this is well below the bank's deposit market share, this is considered a reasonable level of penetration given the highly competitive market. The top ten lenders are comprised of large nationwide banks and mortgage companies. Collectively, these larger institutions capture 49% of the market with market share ranging from 2% to 6%.

NPB ranks 123rd and 66th for its volume of home purchase and home refinance loans, respectively, with less than a 1% market share in both the home purchase and home refinance

markets. The bank demonstrates a good commitment to home improvement and multifamily lending. NPB ranks 30th out of 198 lenders with a 1.02% market share in home improvement lending. Among multifamily loans, NPB ranks 5th out of 49 lenders with a 5.10% market share. The top lender is a large regional bank with an 11.7% market share. The remaining three financial institutions have a combined 23.4% market share.

Based on 2002 Small Business Peer Data, NPB ranks 19th out of 209 lenders within the Philadelphia AA for small loans to businesses with a market share of 0.50%. This is also below NPB's deposit market share, but considered a reasonable level of penetration given the highly competitive market. The top five lenders are nationwide credit card companies that dominate the AA with a combine 61% market share. Additionally, this performance is good given that a majority (54%) of the bank's originations were for loans to small businesses.

According to June 30, 2002 FDIC data, 37% of the bank's deposits are held in the Reading AA. NPB ranks 2nd out of 19 deposit taking institutions with a 16.16% market share. Twenty of the bank's 64 branches (31%) are located in Berks County.

NPB ranks 16th out of 340 lenders with a 1.96% market share in overall home mortgage lending within the Reading AA. Although this is well below the bank's deposit market share, this is considered a reasonable level of penetration given the highly competitive market. The top 15 lenders are comprised of large nationwide banks and mortgage companies, including NPB's mortgage banking subsidiary Penn 1st Financial Services, which ranked 14th, with a 2.30% market share. NPB has less than a 1% share of the home purchase market and ranks 32nd out of 239 lenders in home purchase lending with a market share of 0.65%. The top ten lenders are nationwide banks and mortgage companies with a combined 54% market share.

NPB demonstrates an excellent commitment to home improvement lending. The bank ranks 1st out of 90 lenders with a market share of 8.82%. The bank ranks 15th out of 283 lenders with a 2.14% market share in home refinancing. This market is highly competitive as demonstrated by the absence of any one lender holding a market share over 7%. Larger nationwide banks and mortgage companies rank ahead of NPB in the AA. No multifamily loans were originated in the Reading AA.

Based on 2002 Small Business Peer Data, NPB ranks 12th out of 72 lenders within the Reading AA for small loans to businesses with a market share of 1.97%. The bank's ranking is good given that three credit card companies have a 41.5% market share. The remaining financial institutions are comprised of a direct competitor and a finance company with a combined 22% market share.

Distribution of Loans by Income Level of the Geography

The overall geographic distribution of **home mortgage loans** is **adequate** in both AAs when considering the opportunities available, area demographics, and strong competition. Performance is adequate in both the Philadelphia AA and Reading AA.

The composition of the Philadelphia AA reflects 32 low-income geographies representing 5.5% and 50 moderate-income geographies representing 8.7%. The composition of the Reading AA reflects 4 low-income geographies representing 5.3% and 15 moderate-income geographies representing 19.7%. Ninety-four percent of home mortgage loans originated by NPB were

concentrated within middle- and upper-income geographies in both the Philadelphia AA and Reading AA. The bank's performance is considered reasonable as a substantial majority (84% - Philadelphia, 83% - Reading) of the owner-occupied units and the population in both AAs (85%) is located within these geographies. While there are more limited lending opportunities in low-income geographies than in moderate-income geographies in the AAs, area demographics and strong competition for home mortgage lending from banks, mortgage companies and non-bank financial institutions has some impact on the bank's geographic distribution performance.

In the Philadelphia AA, 3.57% of total owner-occupied units, or approximately 20 thousand units out of 558 thousand units, are located in low-income geographies. In addition, a high percentage (41%) of the households in low-income geographies are below the poverty level. Seven percent of total owner-occupied units, or 41 thousand units are located in moderate-income geographies. Twenty-one percent of the households in moderate-income geographies are below the poverty level.

In the Reading AA, 1.53% of total owner-occupied units, or 1,443 units out of 94 thousand units, are located in low-income geographies. Thirty-four percent of the households in low-income geographies are below the poverty level. Nine percent of total owner-occupied units, or 8,528 units are located in moderate-income geographies. Twenty percent of the households in moderate-income geographies are below the poverty level.

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 **good** in both full-scope AAs. The percentage of home purchase lending in moderate-income geographies substantially exceeds the percentage of owner-occupied units in these geographies for both full-scope AAs. The percentage of home purchase loans in low-income geographies in the Philadelphia AA is well below the percentage of owner-occupied units. In the Reading AA, the percentage of lending in low-income geographies substantially meets the percentage of owner-occupied units. The market shares in low- and moderate-income geographies exceed the bank's overall market shares in both AAs.

The geographic distribution of **home improvement loans** is **adequate** throughout the AAs when considering the limited opportunities, area demographics, and competition discussed above. Geographic distribution in the individual MSAs is assessed as follows: Philadelphia AA – adequate; Reading AA – poor.

The percentage of home improvement loans originated in the Philadelphia AA in low-income geographies is well below the percentage of owner occupied units within low-income geographies. The percentage of home improvement loans in moderate-income geographies is near to the percentage of owner occupied units within moderate-income geographies. The bank made only one loan within low-income geographies. NPB's market share in moderate-income geographies exceeds its overall market share. NPB is ranked 8th out of 70 lenders in lending within moderate-income geographies with a market share of 3.08%.

In the Reading AA, the percentage of home improvement loans in low- and moderate-income geographies is well below the percentage of owner occupied units in those geographies. NPB's market share in low- and moderate-income geographies is also below its overall market share of 8.82%. NPB is ranked 6th out of 9 lenders in lending within low-income geographies with a market share of 6.25%. NPB is ranked 11th out of 22 lenders in lending within moderate-income geographies with a market share of 1.61%.

The geographic distribution of **home refinance loans** is **poor** in both the Philadelphia AA and Reading AA.

The percentage of home refinance loans originated in low-income geographies is well below the percentage of owner occupied units in these geographies for both full-scope AAs. In the Philadelphia AA, no loans were originated in low-income geographies compared to 3.57% of the owner occupied units within those geographies. The percentage of home refinance loans originated in moderate-income geographies is well below the percentage of owner occupied units in moderate-income geographies. However, the bank's exceeds its overall market share of 0.29%. NPB is ranked 49th out of 221 lenders in lending within moderate-income geographies with a market share of 0.50%.

In the Reading AA, the bank made only one loan in low-income geographies. The percentage of home refinance loans originated in moderate-income geographies is also well below the percentage of owner-occupied units. The bank's market share in moderate-income geographies is below its overall market share. NPB is ranked 33rd out of 71 lenders in lending within moderate-income geographies with a market share of less than 1%.

The geographic distribution of **multifamily loans** is **good**, with distribution in the individual MSA as follows: Philadelphia – excellent, Reading – adequate considering the strong competition from nationwide banks and mortgage companies for these loans in the AAs. The percentage of multifamily loans originated in low-income geographies in the Philadelphia AA exceeds the percentage of multifamily units in low-income geographies, while the percentage of multifamily units originated in moderate-income geographies significantly exceeds the percentage of multifamily units in moderate-income geographies.

NPB's market share in moderate-income geographies significantly exceeds its overall market share of 5.10%. NPB is ranked 2nd out of 15 lenders in lending within moderate-income geographies with a market share of 16.67%.

No multifamily loans were originated in low-or moderate-income geographies in the Reading AA compared to 9.80% and 23.83% , respectively of multifamily units within those geographies. One large regional bank captures 100% of the market share in low-income geographies, while two regional banks capture over 54% of the market share in moderate-income geographies. The remaining five regional banks collectively have 45% combined market share.

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** considering the strong competition from credit card companies, large regional banks and non-bank financial institutions for these loans in the AAs. Performance is adequate in both the Philadelphia AA and the Reading AA.

The percentage of small loans to businesses originated in low- and moderate-income geographies in the Philadelphia AA is below the percentage of businesses within those geographies. The bank's market shares in low- and moderate-income geographies are also below its overall market share. NPB is ranked 26th and 21st out of 209 lenders in lending within low- and moderate-income geographies, respectively.

In the Reading AA, the percentage of small loans to businesses originated in low- and moderate-income geographies is below the percentage of businesses within those geographies. NPB's market share in low-income geographies is below its overall market share and exceeds its overall market share in moderate-income geographies. NPB is ranked 16th out of 72 lenders in lending within low-income geographies with a 1.35% market share and 7th within moderate-income geographies with a 3.09% market share.

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 geographic distribution of small loans to farms is not meaningful as this activity is not a significant business line for the bank. A total of nine loans were originated during the evaluation period. Eight of these loans were originated in middle-income geographies.

Lending Gap Analysis

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

Inside/Outside Ratio

This portion of the evaluation was performed at the bank level as opposed to the AA level. This information includes originations and purchased only. A substantial majority (88%) of home mortgage loans, small loans to businesses, small loans to farms, and CD loans originated by NPB over the evaluation period were within its combined AAs. For HMDA products, 85% of all originations by volume and 76% of all originations by dollar volume were within the AAs. Thirteen percent of all home purchase mortgages were originated in the AAs, approximately 32% of all home improvement loans, 54% of home refinance loans, and 1% of multifamily loans were originated within the AAs. Ninety-one percent of the small loans to businesses and 100% of the CD loans were originated within the AAs. The high percentage of loans made within the AAs demonstrates a strong commitment to both mortgage and small business lending.

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.

Borrower distribution of home mortgage loans reflects a **good** dispersion among borrowers of different income levels throughout the full-scope AA. Performance is good in both the Philadelphia AA and Reading AA.

Borrower distribution of **home purchase loans** is **good** in the Philadelphia AA. The percentage of home purchase loans made to low-income borrowers in the Philadelphia AA is near to the percentage of families that are low-income in the AA. The percentage of home purchase loans made to moderate-income borrowers substantially meets the percentage of families that are moderate-income in the AA. NPB's market share to low-income borrowers exceeds its overall market share while the bank's market share to moderate-income borrowers is well below its overall market share. The bank's performance is good considering the affordability of homeownership for a low-income family and the percentage of households living below the poverty level. In the Philadelphia AA, the median cost of housing is \$136 thousand, based on 1990 U.S. Census data. Based on HUD's updated median family income in the AA of \$63,300, a low-income person earns less than \$31,650 annually and a moderate-income person earns less than \$50,640 annually. Additionally, 8% of the households in the AA are below the poverty level and considered very low-income.

Borrower distribution of **home purchase loans** is **excellent** in the Reading AA. In the Reading AA, the percentage of home purchase loans made to low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income families in the AA. NPB's market share to low- and moderate-income borrowers exceeds its overall market share for home purchase loans. The median cost of housing in the AA is \$79 thousand based on 1990 U.S. Census data. A low-income person earns less than \$26,650 annually based on HUD's updated median family income in the AA of \$53,300. Additionally, 8% of the household in the AA are below the poverty level and considered very low-income.

Borrower distribution of **home improvement loans** is **good** in both the Philadelphia AA and Reading AA when considering the limited opportunities for home improvement loans to low-income borrowers in the AA based on the affordability as discussed above.

The percentage of home improvement loans made to low-income borrowers is below the percentage of low-income families in both the Philadelphia AA and Reading AA. The percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Philadelphia AA. NPB's market share to low-income borrowers substantially meets its overall market share while the bank's market share to moderate-income borrowers slightly exceeds its overall market share.

The percentage of home improvement loans made to moderate-income borrowers in the Reading AA is near to the percentage of moderate-income families in the AA. NPB's market

share to low- and moderate-income borrowers is below its overall market share of 9.33% for home improvement lending.

Borrower distribution of **home refinance loans** is **good** in both the Philadelphia AA and Reading AA when considering the limited opportunities for home refinance loans to low-income borrowers in the AA based on the affordability as discussed above.

The percentage of home refinance loans made to low-income borrowers is below the percentage of low-income families in both the Philadelphia AA and Reading AA. The percentage of home refinance loans made to moderate-income borrowers is also below the percentage of moderate-income families in the Philadelphia AA. NPB's market share to low-income borrowers slightly exceeds its overall market share. The bank's market share to moderate-income borrowers is below its overall market share.

The percentage of home refinance loans made to moderate-income borrowers in the Reading AA exceeds the percentage of moderate-income families in the AA. NPB's market share to low- and moderate-income borrowers substantially meets its overall market share.

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 in both the Philadelphia AA and Reading AA is **good** when considering the strong competition among financial institutions within the AAs. In both AAs, the portion of NPB's loans to small businesses (businesses with gross revenues of \$1 million or less) is below the percentage of small businesses in both AAs. In the Philadelphia AA, the portion of loans \$100 thousand or less is near to the percentage of small businesses within AA. In the Reading AA, the portion of loans \$100 thousand or less is below the percentage of small businesses in the AA. NPB's market share for small loans made to small businesses in both AAs substantially exceeds its overall market share for all loans to businesses. Competition is strong in the AAs from credit card companies and large regional banks for small business loans.

In the Philadelphia AA, NPB ranks 17th out of 209 lenders originating small loans to businesses with a 0.95% market share. The top three lenders are credit card companies with combined market share of 50%.

In the Reading AA, NPB ranks 7th out of 72 lenders originating small loans to businesses with a 5.02% market share. The top two lenders are credit card companies with a combined market share of 34%. The remaining four lenders comprise two large banks and two direct competitors.

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 businesses.

An analysis of the geographic distribution of small loans to farms is not meaningful as this activity is not a significant business line for the bank. A total of nine loans were originated during the evaluation period.

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 has a positive impact on the Lending Test. NPB made a good level of CD loans considering the strong competition for these types of loans. The CD loans originated were responsive to the credits needs of small businesses, and the affordable housing and economic development needs of low- and moderate-income areas in both AAs.

The following are CD loans originated during the evaluation period in the two full-scope AAs:

NPB originated a \$3 million loan to a Small Business Investment Corporation located in the Philadelphia AA, which provided interim financing for operations until Small Business Administration funding was secured.

NPB originated a \$2.4 million loan to a non-profit agency to finance the renovation of an emergency shelter and transitional housing facility in Reading, PA.

NPB originated a \$1.75 million to a private non-profit agency to acquire a new facility located in Reading, PA. The agency provides housing, treatment and services to at-risk adolescents from low-income families.

NPB originated a \$321 thousand loans to a limited partnership dedicated to the revitalization of Germantown, PA, a targeted moderate-income area located in the Philadelphia AA. Funding was used to acquire an apartment building to provide rental-housing units to moderate-income individuals.

NPB originated a \$300 thousand loan to the Community Lenders Community Development Corporation (CDLCD). This non-profit organization is dedicated to revitalization of targeted communities and affordable housing throughout Bucks and Montgomery counties. Residential housing programs must meet low- and moderate-income requirements under HUD. Community investment programs must benefit targeted low- and moderate-income areas in which they are developed.

NPB originated a \$118 thousand loan to a non-profit agency located in the Philadelphia AA to acquire a group home facility for low-income handicapped individuals. Residents must meet income requirements for eligibility in the home.

NPB originated a \$50 thousand loan to The Reinvestment Fund (TRF), a Community Development Financial. TRF builds wealth and opportunities for low-income communities and low- and moderate-income individuals through the promotion of socially and environmentally

responsible development in the Philadelphia area. TRF create jobs for low-income individuals, invest in small and start-up businesses, and provide affordable housing units and child-care services to welfare mothers in underserved areas.

NPB originated loans totaling \$545 thousand that have community development purposes. These loans were considered in the evaluation of small loans to businesses. NPB actively participated in several small business micro loan funds in Bucks, Montgomery and Philadelphia counties. The micro loan funds provide assistance to creditworthy start-up and existing small businesses, which may not have access to credit through traditional credit providers, the ability to obtain small dollar loans under reasonable terms. Additionally, many of these provide permanent job creation for low- and moderate-income individuals.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the Lending Test conclusion for the Philadelphia AA and Reading AA.

NPB offers two specialized home purchase mortgage loan financing programs, the CRA Target Mortgage Program (CTM) and The Neighborhood Housing Services Program (NHS).

The CTM program targets low- and moderate-income homebuyers, as well as low- and moderate-income areas in the bank's AA. The program offers flexible underwriting such as 100% financing and less stringent debt and credit history guidelines.

The NHS program targets low- and moderate-income first time home-buyers in the bank's Reading AA and offers flexible underwriting such as financing in excess of 100%, minimum closing cost requirements, and mandatory budget counseling.

During the evaluation period, NPB made 22 loans totaling \$1.2 million in the Philadelphia AA under the CTM program. In the Reading AA, NPB made 25 loans totaling \$941 thousand under the CTM program and 36 loans totaling \$910 thousand under the NHS program.

The bank also participates in flexible mortgage loan programs offered under the Federal Home Loan Mortgage Corporation (FHLMC). The loans originated under this program are sold on the secondary market.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in the Lehigh AA is not inconsistent with the bank's overall "High Satisfactory" performance under the Lending Test. The bank's performance in the Lancaster AA is weaker than 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 Philadelphia AA is good and the bank's performance in the Reading AA is adequate.

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

Investment opportunities are reported to exist in both AAs either in the form of direct investments or through qualifying grants/donations. However, the investments are not widely available. Discussions with management indicate that affordable housing is a need within the AAs. The volume of NPB's investments is good when considering that the bank has limited opportunities to take advantage of investment opportunities in both AAs based on availability. The areas are highly competitive for qualifying investments and are typically comprised of securities backed by loans to low- and moderate-income borrowers, equity investments in affordable housing projects as well as grants/donations.

A large segment of the bank's direct investments are concentrated within the Philadelphia AA. Here, the bank has investments and grants/donations totaling \$5.6 million originated during the review period. The lion's share of the investments is contributions made to a Small Business Investment Company ("SBIC") fund and a low-income housing tax credit ("LIHTC"). The investment in the SBIC meets an identified need in the assessment area.

In the Reading AA, NPB did not originate any new investments since the last review other than qualifying grants/donations. However, there still remains outstanding approximately \$959 thousand that were originated in prior evaluation periods. The investments funded during the prior evaluation periods include an equity investment for LIHTC that addressed affordable housing needs, and a SBIC that addressed small loans to businesses throughout the Philadelphia and Reading AAs.

No unfunded commitments were reported at this examination for any of the bank's AAs.

Grants/Donations - NPB made grants and donations totaling \$133 thousand to numerous organizations in the Philadelphia AA during the evaluation period. The grants and donations

address the community needs of the AA as noted in the Market Profile in Appendix B. NPB also provided grants and donations totaling \$134 thousand to local non-profit organizations for various projects and CD initiatives throughout the Reading AA during the evaluation period. The grants and donations were primarily related to affordable housing activities and social programs targeting LMI individuals. The grants and donations addressed the community needs of affordable housing as noted in the Market Profile in Appendix B.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Lehigh AA is not inconsistent with the bank's overall "**High Satisfactory**" performance under the Investment Test. The bank's performance under the Investment Test in the Lancaster AA is **weaker** than the bank's overall "High Satisfactory" performance based on the limited investment opportunities. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "**Outstanding.**" Based on the full-scope reviews, NPB's performance in the Philadelphia AA is excellent and the Reading AA is **good**.

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.

NPB's delivery systems are readily accessible to geographies and individuals of different income levels throughout both full-scope AAs. As of this review date, the bank had 52 banking facilities, including its main office, located in the full-scope AA. While all of these locations are chartered as full service branches, two of the locations operate solely as business loan centers focusing on small business and commercial lending activities. In addition to these offices, NBP also has five deposit taking ATMs that are at remote locations.

Since the last evaluation, NBP has increased its banking offices through acquisitions. This expansion has the effect of increasing the bank's presence throughout its AAs with increased presence noted in moderate-income geographies. In addition to the acquisitions, bank management has opened new offices in several locations throughout its AAs, including a denovo office in a moderate-income geography in Philadelphia.

Accessibility is excellent in the Philadelphia AA and good in the Reading AA. In the Philadelphia AA, the distribution of offices throughout the moderate-income geographies exceeds the distribution of the population living in such geographies. No branch offices are located in low-income geographies in this AA. In the Reading AA, the distribution of offices throughout the moderate-income geographies is less than the distribution of the population

living in these geographies. However, retail services are available to low-income geographies in the Philadelphia AA and in moderate-income geographies in the Reading AA based on the very close proximity of the bank's branch network as discussed under the Philadelphia and Reading AAs that follows. The level of banking facilities located in low-income geographies greatly exceeds the level of the population living in those areas. Six percent of the population within the Philadelphia AA resides in the low-income geographies. Nearly four percent of the population resides in low-income geographies in the Reading AA.

Philadelphia AA

The Bucks County portion of the bank's AA includes 13 moderate-income geographies. One full service branch located in Bristol, a middle-income geography based on 1990 U.S. Census data, is now located in a moderate-income geography based on updated 2000 U.S. Census data. This same office immediately borders a moderate-income geography to the west and is within approximately $\frac{1}{2}$ mile of the moderate-income geography it borders to the north. Another office located in a middle-income geography in Bensalem is adjacent to and within $\frac{1}{4}$ mile of a moderate-income geography. The Warminster office, which is located in a middle-income geography borders and is within $\frac{1}{4}$ mile of a moderate-income area.

The Chester County portion of the bank's AA includes one moderate-income geography. The West Chester office is on the border of a moderate-income geography. A full service branch located in Phoenixville, a middle-income geography, is now located in a moderate-income geography based on updated 2000 U.S. Census data.

Montgomery County contains one low-income and thirteen moderate-income geographies. Four moderate-income geographies are located in the Pottstown area and the bank has one full service office located in one of these moderate-income geographies. This same office is approximately $\frac{1}{2}$ mile from the moderate-income geography it borders to the north and approximately $\frac{3}{4}$ mile from the moderate-income geography it borders to the west.

The one low-income geography and five moderate-income geographies are located in the Norristown area. The bank has one full-service office located in a middle-income geography having an 80.9% median family income percentage that is approximately $\frac{1}{2}$ mile north of a moderate-income area and less than a mile north of the low-income geography.

In addition, the bank's Lansdale office, which is located within a middle-income geography, is adjacent to a moderate-income geography, approximately $\frac{1}{10}$ of a mile away.

The Philadelphia County portion of the bank's assessment area comprises 29 low-income and 36 moderate-income geographies. The One Penn Center office is located in a moderate-income geography in Center City and is located less than $\frac{1}{10}$ of a mile from the low-income geography it borders to the east. The East Falls office is located in a middle-income geography and is adjacent to and approximately $\frac{3}{10}$ of a mile from a moderate-income geography.

Reading AA

The Reading AA contains four low-income geographies and 15 moderate-income geographies. The bank has one office located in a low-income geography in downtown Reading and one

deposit-taking ATM located in a supermarket in a low-income geography. The Reading office is surrounded by low- and moderate-income geographies. This office is less than 1/10 of a mile from the low-income areas to the north and west and approximately 3/10 of a mile from the low-income geography it borders to the south. The deposit-taking ATM located in a moderate-income geography is bordered to the north and east by low-income geographies. The bank also has an office in a moderate-income geography immediately north of the city of Reading.

Branch Opening and Closings

The bank's record of opening and acquiring branches has improved the accessibility of its delivery systems in moderate-income geographies. Since the last evaluation, NPB opened four new branch locations and closed nine branch locations. Three of the offices closed during the period were a result of overlap and proximity of existing offices to acquired sites. Two represented branch sales to a former affiliate bank, Panasia Bank, which included the only office closed that was in a moderate-income geography. NPB also acquired 12 new branch locations as a result of the First Service Bank acquisition. Of the 12 acquired branches, one is located in a moderate-income geography, nine are located in a middle-income geographies and two are located in upper-income geographies.

The Bristol, Bensalem, Warminster, and Lansdale offices were some of the offices acquired as part of the First Service Bank, Doylestown, PA acquisition. The offices are located in close proximity to moderate-income geographies. The One Penn Center office in Philadelphia is a new office located in a moderate-income geography, which is also in close proximity to a low-income geography.

The bank's branch office hours are generally consistent throughout its network and are extended at supermarket branch locations and drive-through facilities during the week, and at most locations on weekends. NPB's hours and services offered throughout the full-scope AAs are good. Office hours and services in both full scope AAs include the availability of loan officers for all loan products and are comparable among locations regardless of the income level of the geography. Banking hours and services provided Monday through Friday are supplemented by Saturday hours at the majority of banking facilities located in the two AAs. Thirty-nine of the traditional banking offices located in the two AAs offers extended Saturday hours. The bank also provides two branch offices in area supermarkets with favorable hours ranging from 9:00 to 7:00 p.m. Monday through Friday and Saturday and Sunday hours (one in a moderate-income tract) offer Sunday hours.

Forty of the fifty traditional banking offices located in the two AAs have drive-through facilities. Drive-through hours are similar to the branch hours of operation. The Pottstown Downtown and Phoenixville drive-through facilities are located in moderate-income geographies and the remaining facilities are located in middle-income and upper-income geographies. The other moderate-income locations are not conducive to drive-in facilities due to location restrictions or branches are located within a supermarket. The one office in the low-income geography does not offer this service.

NPB's ATM network offers an effective alternative delivery system for obtaining cash and utilizing the MAC system for accessing public assistance benefits. The bank has a total of 62 proprietary ATMs. Of these, 53 are located at branch sites and all, but two, offer access 24

hours/7 days a week. Both of the limited hours machines are cash dispensing only that are located in offices and are limited by the branch hours.

Of the 62 ATM's, seven are cash dispensing and five are deposit-taking machines at various remote locations. The Philadelphia AA contains 32 ATMs, including two that are cash dispensing only. Three ATMs are located in moderate-income geographies, representing slightly over 9% of the total in the AA. This slightly exceeds the percentage of population in moderate-income geographies. The bank also maintains ATMs in middle-income geographies that are located in close proximity to low- and moderate-income geographies, such as those located at the Bensalem, Warminster, West Chester, Lansdale, Norristown, and East Falls offices.

The Reading AA contains 23 ATMs, including five that are cash dispensing only. Three ATMs are located in low-income geographies representing 13% of the total, exceeding 3% of the population residing in low-income geographies. Also, one ATM representing 4% of the total in the AA is located in a moderate-income geography compared to 12% of the population residing in moderate-income geographies.

Of the 12 remote ATMs located throughout the AAs, the hours of accessibility vary as a result of the locations.

In addition to the above, NPB offers four types of alternative delivery systems available in all AAs; ATMs, telephone banking, PC banking and Internet banking. Of these, the ATMs located in low-income geographies at the Reading Buttonwood IGA and the Pottstown Redner's Quick Shoppe assist recipients of public assistance by providing electronic access to their benefits. While all of the bank's ATMs offer this service at no expense, the bank's marketing studies indicated a high usage of these ATMs for this service. We did not place significant weight on the three remaining alternative delivery services when determining our conclusions since management has no method to determine if these services benefit low-and moderate-income geographies or individuals. These services allow customers to obtain deposit and loan account information, make payments on NPB loans, transfer funds, and pay other household bills. Additionally, the Internet and PC banking activities allow customers to apply for loans. NPB introduced Empower PC Banking prior to our last evaluation. This service allows businesses to generate electronic funds transfers including wire payments, direct deposit of payroll, stop payments, issue checks electronically, generate tax payments to governmental authorities, transfer funds between accounts, and initiate wire transfers.

The bank offers affordable consumer deposit and small business products priced to meet the needs of a variety of customers, including those maintaining minimal balances or those with infrequent transactions. The bank offers a non-interest bearing, no transaction fee checking account, requiring no minimum balance to consumers. NPB also offers a similar checking account to non-profit organizations. NPB also provides no-fee checking accounts with no minimum balance requirements, free first order of checks, and no limits on the number of deposits or withdrawals to employees of local businesses that participate. This service is available to all employees regardless of income level.

Community Development Services

NPB provides a high level of community development services in both AAs. Several bank officers and employees participate in services that benefit community development organizations. The CD services provided during the evaluation period are very responsive to the identified needs in both full-scope AAs. CD Services include educational programs for low- and moderate-income first-time homebuyers and small business owners, and technical assistance to community development organizations. NPB also provides representation on boards and committees to facilitate CD services to community organizations.

The following are examples, in the Philadelphia AA, of CD Service activities during the evaluation period.

NPB participated in several micro loan funds by providing technical knowledge through its representation and service on the Loan Review Committees, which review loans to small businesses. Three bank representatives, including a Division President, vice President and Officer, represented the bank in loan funds in Upper Bucks, Montgomery and Philadelphia Counties, through programs administered by PARTNERS for Small Business Development, Inc.

PARTNERS is an organization that was created to provide entrepreneurial training and micro loan packaging for startup and emerging small and micro businesses in the Greater Delaware Valley Area. Their purpose is to encourage the growth of small business enterprise and neighborhood economic development, through entrepreneurial training, technical assistance, and the creation of micro loan fund consortia. Through PARTNERS the bank also directly sponsored and participated in a Philadelphia area small business development training program, "Be Your Own Boss".

Bank representatives also participated as instructors with ASSETS Montco (A Service for Self-Employment Training and Support) as part of their training courses. ASSETS Montco offers training and support to would-be and recent entrepreneurs by providing a 13-week training course on the basics of setting up and running a small business.

NPB is a member of a consortium of thirteen banks that have joined together to meet the housing and related needs of primarily low- and moderate-income residents in a portion of the bank's AA under the Community Lenders Community Development Corporation (CLCDC). An EVP serves as Board Chairperson. Until February of 2003, a bank VP also served as Board Secretary and a bank SVP also served on the Loan Review Committee.

The bank participates in the Penn Mezzanine fund. The Fund's purpose is to provide mezzanine financing; a type of lending that provides a niche between commercial bank loans and venture capital funds, to small and mid-sized businesses. A SVP represents the bank on the Fund's Board of Directors and a bank SVP serves on the Fund's Investment Committee.

A bank VP serves as the Treasurer of the Montgomery County Housing Coalition (MCHC). The position's responsibilities include providing financial reporting services. This organization acts as coordinator for many of the housing needs for homeless and low- and moderate-income individuals in Montgomery County.

NPB successfully sponsored an FHLB Affordable Housing Program application for Dignity Housing. Dignity Housing is a nationally recognized organization that provides affordable housing, life skill support services, job readiness, leadership and educational development to homeless families and individuals. A VP of the bank assisted with the organization's application for grant funding from the FHLB. Funds were used to finance a nine-unit rental project for low-income individuals Philadelphia.

The following are examples, in the Reading AA, of CD Service activities during the evaluation period.

A bank VP is a member of the Board and is also the Chairperson of the Loan Administration Committee for the Neighborhood Housing Service (NHS) of Reading. NHS works primarily with low- and moderate-income persons to achieve home-ownership and in the revitalization of low- and moderate-income areas of the city targeted for revitalization by the NHS. The Loan Administration Committee is responsible for the development and monitoring of NHS mortgage loan programs. As a result of recent NHS expansion, the bank representative on the Loan Administration committee provided loan application, processing, and underwriting training for new loan originators.

Also, in conjunction with the NHS HomeBuyer education program, bank representatives have participated in educational presentations for potential homebuyers relating to the mortgage application and financing process.

The bank provides servicing for NHS mortgage loans at a reduced cost.

The bank is enrolled in the FHLB Home Buyer Equity Fund. During the evaluation period the bank provided 29 secured grants to assist low- and moderate-income homebuyers purchasing homes in the city of Reading cover down payment and closing costs.

The bank supports the Family Savings Account Program for the Berks Community Action Program (BCAP) and the Reading/Berks Emergency Shelter. The Family Savings Account Program is designed to assist low-income individuals in achieving savings goals necessary for home ownership, home repair, education, purchasing a car, starting a business or retirement. Through a structured savings account administered under specific guidelines the State matches a portion of the amount saved. At the conclusion of the review period the bank was administering over 100 savings accounts for the Family Savings Account Program.

A bank VP serves as the bank's program and efforts coordinator with the Berks Community Action Program. This officer was recently awarded BCAP's Community Action Award for outstanding commitment and service to low-income families in the Berks county community.

Bank representatives participated in educational presentations on the business credit underwriting process and the use of a business plan in conjunction with the Small Business Development Center's educational programs.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test in the Lehigh AA and the Lancaster AA is weaker than the bank's overall "**Outstanding**" performance under the Service Test. NPA has no branch offices in low- and moderate-income geographies in the Lehigh AA. The Lancaster AA consists of middle-income geographies only and an analysis of geographic comparisons is not meaningful. The performance in the two limited-scope AAs does not impact the bank's overall performance under the Service Test.

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”).

Time Period Reviewed	Lending Test (excludes CD Loans): 7/01/00 to 12/31/02 Investment and Service Tests and CD Loans: 10/03/00 to 11/17/03	
Financial Institution	Products Reviewed	
National Penn Bank (NPB) Boyertown, Pennsylvania	Home mortgage loans, small loans to business, small loans to farms, CD loans, investments and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Philadelphia AA - #6160	Full-Scope	CMSA 6160 includes all of Bucks and Montgomery counties and portions of Chester, Delaware, and Philadelphia counties MSA 0240 includes portions of North Hampton County
Reading AA - #6680	Full-Scope	
Lehigh AA - #0240	Limited-Scope	
Lancaster AA - #4000	Limited Scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Philadelphia AA B-2
Reading AA B-3

Philadelphia AA – 6160

Demographic Information for Full Scope Area: Philadelphia AA - 6160						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	578	5.54	8.65	40.66	43.77	1.38
Population by Geography	2,177,563	5.86	9.16	40.39	44.20	0.38
Owner-Occupied Housing by Geography	557,998	3.57	7.36	40.20	48.86	0.01
Business by Geography	220,384	4.09	6.53	35.70	53.64	0.04
Farms by Geography	3,819	0.45	2.17	42.21	55.09	0.08
Family Distribution by Income Level	562,872	15.00	15.58	22.97	46.44	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	172,171	12.96	16.49	45.53	25.03	0.00
Median Family Income		41,908	Median Housing Value		135,722	
HUD Adjusted Median Family Income for 2002		63,300	Unemployment Rate (1990 US Census)		2.56%	
Households Below Poverty Level		8.07%				

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

Source: 1990 US Census and 2002 HUD updated MFI

The Philadelphia AA includes a portion of the Philadelphia MSA - 6160. The AA consists of all of Montgomery County and portions of Bucks County, Chester County, Delaware County, and Philadelphia County. The AA is delineated based on the bank's lending activities within those counties and does not arbitrarily exclude low- or moderate-income areas. This AA is the most urban of NPB markets and includes the greatest concentration of branch and ATM facilities. The bank operates 56% of its branches in the Philadelphia AA. The AA also contains the majority of the bank's low- and moderate-income geographies. Of the 578 CTs within the AA, 32 are low-income and 50 are moderate-income. While low- and moderate-income geographies can be found in various geographic portions of the bank's AA, they are primarily situated in the city of Philadelphia.

The banking environment in which NPB operates in is highly competitive for home mortgage loans, small business loans and deposits. Large regional banks, mortgage companies, non-bank financial institutions, community banks and credit card companies dominate the AA. Major competitors for home mortgage loans in the AA are: Countrywide Home Loans ranked 1st with 6.18% market share, Well Fargo Home Mortgage ranked 2nd with 5.76% market share; Washington Mutual Bank ranked 3rd with 5.13% market share; ABN Amor Mortgage Group ranked 4th with 4.69% market share and Chase Manhattan Mortgage ranked 5th with 4.66% market share. In addition, a number of credit card banks operate in the AA providing a high volume of very small dollar loans. Credit card banks include Capital One/ ranked 1st with 20.22% market share; Citibank USA/ranked 2nd with 12.41% market share; MBNA/ ranked 3rd with 12.09% market share; and GE Capital Financial, Inc./ranked 4th with 8.92% market share. These banks typically dominate market share by volume.

NPB is ranked 9th for market share of deposits and has 1.85% of total deposits in the AA. Major competitors in the AA are: Wachovia Bank NA ranked 1st in deposit share, 26.78%, with 194 offices; Citizens Bank of PA ranked 2nd, 13.35%, with 159 offices; and PNC Bank ranked 3rd, 11.51%, with 115 offices. Collectively, these three banks have 51.64% of the total AA.

Employment and business opportunities in the AA are good. The area supports a wide variety of service-based businesses, light manufacturing, and technology centers. Major employers in the AA include the U.S. Government, the city of Philadelphia, school districts, universities, hospitals and a variety of private industries. The unemployment rate is 2.56%, and is below the State average of 5.2% as of November 2003. Community development opportunities are also good. The area's small business environment is particularly open to micro loan organizations and economic development organizations. Home mortgage lending is also a need in the AA. A number of suburban communities support organizations that promote home mortgage lending in low- and moderate-income areas. The urban Philadelphia area also provides opportunities for low- and moderate-income home mortgage lending.

During our examination we contacted a county government entity, responsible for economic development in Bucks County by providing low-interest financing to local small businesses and a governmental small business agency, responsible for providing assistance to existing and potential entrepreneurs. These agencies identified small business lending as a credit need. Two other CRA examinations covering the AA also identified affordable housing in low- and moderate-income areas and home purchase lending to low- and moderate-income individuals as an ongoing need.

Reading AA – 6680

Demographic Information for Full Scope Area: Reading AA – 6680						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	76	5.26	19.74	63.16	10.53	1.32
Population by Geography	336,523	3.47	12.00	69.37	15.16	0.00
Owner-Occupied Housing by Geography	94,336	1.53	9.04	72.25	17.18	0.00
Business by Geography	19,561	4.48	13.65	68.49	13.38	0.00
Farms by Geography	970	0.72	1.34	95.05	2.89	0.00
Family Distribution by Income Level	92,046	16.35	19.11	27.41	37.13	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	32,637	6.62	18.08	64.78	10.52	0.00
Median Family Income		37,755	Median Housing Value		78,993	
HUD Adjusted Median Family Income for 2002		53,300	Unemployment Rate (1990 US Census)		2.35%	
Households Below Poverty Level		8.08%				

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

Source: 1990 US Census and 2002 HUD updated MFI

The Reading AA is the entire 6680 MSA and includes all of Berks County, Pennsylvania. Berks County is situated northwest of greater Philadelphia and includes the cities of Reading and the bank's headquarters in Boyertown. The AA is delineated based on the bank's lending activities within the county and does not arbitrarily exclude low- or moderate-income areas. The Berks County area is primarily suburban and with the exception of Reading, Pennsylvania, is a bedroom community of Philadelphia. This area is dominated by middle-income geographies and population centers. The largest concentration of low- and moderate-income geographies and population is in the Reading area, which is a stand-alone metropolitan area in the northwest corner of Berks County.

We determined through our community contacts and our internal research that opportunities for community development lending, investments, and services exist within the AA, but are not overly prevalent. NPB is a primary competitor in Berks County due to the combination of its longevity and base operations center in Boyertown. Nevertheless, competition continues to be strong with a large number of home mortgage and small business loans that are offered by a wide range of banks, mortgage companies, non-bank financial institutions, and credit card companies.

Major competitors for home mortgage loans in the AA are: Chase Manhattan Mortgage ranked 1st with 7.10% market share, Sovereign Bank ranked 2nd with 6.48% market share; ABN Amro Mortgage Group ranked 3rd with 5.54% market share; Washington Mutual Bank ranked 4th with 4.41% market share and Countrywide Home Loans ranked 5th with 4.40% market share. A number of credit card banks also operate in the AA providing a high volume of very small dollar loans. Credit card banks include Capital One/ ranked 1st with 17.87% market share; Sovereign Bank/ ranked 2nd with 14.07% market share; MBNA/ ranked 3rd with 13.44% market share; and Citibank/ ranked 4th with 10.22% market share. These banks typically dominate market share by volume.

NPB is ranked 2nd for market share of deposits and has 16.16% of total deposits in the AA. Sovereign Bank is ranked 1st in deposit share, 24.30%, with 14 offices.

Employment and business opportunities in the AA are good. The area supports a wide variety of service-based businesses, light manufacturing, and technology centers. 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 is low at 2.35%, and is below the State average of 5.2% as of November 2003.

During our examination we contacted a non-profit community group in Berks County, responsible for providing affordable home mortgage programs to low- and moderate-income individuals. This contact identified affordable housing loans and affordable loan products as primary credit needs. Two other CRA examinations covering the AA also identified affordable housing in low- and moderate-income areas and home purchase lending to low- and moderate-income individuals as an ongoing need.

Appendix C: Tables of Performance Data

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: 1000002137 NATIONAL PENN BANK

Table 1. Lending Volume

LENDING VOLUME												
Geography: PENNSYLVANIA												
Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002												
MA/Assessment Area (2002):	% 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)	
Full Review:												
Philadelphia AA – 6160	56.41	1,047	116,542	1,254	201,325	4	325	5	3,789	2,310	321,981	55.45
Reading AA – 6660	35.43	910	59,824	534	84,672	5	540	2	4,150	1,451	149,186	37.55
Limited Review:												
Lehigh AA – 0240	6.52	114	11,047	151	27,530	0	0	2	4,660	267	43,237	5.84
Lancaster AA - 4000	1.64	28	2,179	39	4,459	0	0	0	0	67	6,638	1.16

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From October 03, 2000 to November 17, 2003.

*** Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

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Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: PENNSYLVANIA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					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					
Full Review:															
Philadelphia AA – 6160	122	43.57	3.57	0.82	7.36	11.48	40.20	43.44	48.86	44.26	0.09	0.30	0.15	0.10	0.07
Reading AA – 6680	142	50.71	1.53	1.41	9.04	24.65	72.25	61.97	17.18	11.97	0.65	1.01	2.40	0.54	0.53
Limited Review:															
Lehigh AA – 0240	15	5.36	0.94	0.00	8.62	13.33	65.22	60.00	25.22	26.67	0.07	0.00	0.12	0.05	0.10
Lancaster AA – 4000	1	0.36	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.10	0.00	0.00	0.10	0.00

* Based on 2002 Peer Mortgage Data: Northeast Region 2.

** 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: 1000002137 NATIONAL PENN BANK

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: PENNSYLVANIA					Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					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						
Full Review:																
Philadelphia AA – 6160	332	50.23	3.57	0.30	7.36	6.63	40.20	57.83	48.86	35.24	1.02	0.00	3.08	1.37	0.62	
Reading AA – 6680	290	43.87	1.53	0.34	9.04	2.41	72.25	84.48	17.18	12.76	8.82	6.25	1.61	9.51	7.65	
Limited Review:																
Lehigh AA – 0240	29	4.39	0.94	0.00	8.62	0.00	65.22	65.52	25.22	34.48	0.72	0.00	0.00	0.74	0.85	
Lancaster AA – 4000	10	1.51	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	1.52	0.00	0.00	1.52	0.00	

* Based on 2002 Peer Mortgage Data: Northeast Region 2.

** 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.

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Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: PENNSYLVANIA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					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						
Full Review:																
Philadelphia AA – 6160	572	50.31	3.57	0.00	7.36	3.50	40.20	50.87	48.86	45.63	0.29	0.00	0.50	0.43	0.21	
Reading AA – 6680	478	42.04	1.53	0.21	9.04	2.72	72.25	82.22	17.18	14.85	2.14	0.00	0.91	2.34	1.57	
Limited Review:																
Lehigh AA – 0240	70	6.16	0.94	0.00	8.62	1.43	65.22	60.00	25.22	38.57	0.23	0.00	0.00	0.24	0.24	
Lancaster AA – 4000	17	1.50	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.74	0.00	0.00	0.74	0.00	

* Based on 2002 Peer Mortgage Data: Northeast Region 2.

** 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.

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Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: PENNSYLVANIA					Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography *					
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full Review:																
Philadelphia AA – 6160	21	100.00	4.54	4.76	8.56	38.10	43.34	33.33	43.56	23.81	5.10	0.00	16.67	4.95	1.64	
Reading AA – 6680	0	0.00	9.80	0.00	23.83	0.00	48.05	0.00	18.32	0.00	0.00	0.00	0.00	0.00	0.00	
Limited Review:																
Lehigh AA – 0240	0	0.00	5.48	0.00	12.26	0.00	67.53	0.00	14.72	0.00	0.00	0.00	0.00	0.00	0.00	
Lancaster AA – 4000	0	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

* Based on 2002 Peer Mortgage Data: Northeast Region 2.

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

*** 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.

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Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: PENNSYLVANIA					Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
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 Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans						
Full Review:																
Philadelphia AA – 6160	1,254	63.40	4.09	0.96	6.53	5.35	35.70	39.03	53.64	54.67	0.50	0.26	0.34	0.57	0.55	
Reading AA – 6680	534	27.00	4.48	2.62	13.65	8.24	68.49	74.16	13.38	14.98	1.97	1.35	3.09	2.25	1.46	
Limited Review:																
Lehigh AA – 0240	151	7.63	2.63	2.65	12.94	15.89	55.12	53.64	29.31	27.81	0.47	1.80	1.00	0.39	0.50	
Lancaster AA – 4000	39	1.97	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.09	0.00	0.00	0.11	0.00	

* Based on 2002 Peer Small Business Data: US and 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.

*** Source Data - Dun and Bradstreet (2002).

Institution ID: 1000002137 NATIONAL PENN BANK

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS															
Geography: PENNSYLVANIA															
Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Philadelphia AA – 6160	4	44.44	0.45	0.00	2.17	0.00	42.21	75.00	55.09	25.00	0.76	0.00	0.00	1.01	0.00
Reading AA – 6680	5	55.56	0.72	0.00	1.34	0.00	95.05	100.00	2.89	0.00	1.96	0.00	0.00	2.01	0.00
Limited Review:															
Lehigh AA – 0240	0	0.00	1.20	0.00	4.48	0.00	63.51	0.00	30.81	0.00	0.00	0.00	0.00	0.00	0.00
Lancaster AA – 4000	0	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.15	0.00	0.00	0.15	0.00

* Based on 2002 Peer Small Business Data: US and 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 (2002).

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Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: PENNSYLVANIA					Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					Market Share [*]				
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 ^{****}						
Full Review:																
Philadelphia AA - 6160	122	43.57	15.00	13.68	15.58	15.38	22.97	16.24	46.44	54.70	0.10	0.26	0.04	0.06	0.12	
Reading AA - 6680	142	50.71	16.35	30.66	19.11	28.47	27.41	17.52	37.13	23.36	0.72	1.85	0.74	0.48	0.55	
Limited Review:																
Lehigh AA - 0240	15	5.36	16.21	6.67	18.37	0.00	26.05	53.33	39.37	40.00	0.08	0.00	0.00	0.17	0.09	
Lancaster AA - 4000	1	0.36	15.01	0.00	21.81	0.00	30.10	0.00	33.09	100.00	0.11	0.00	0.00	0.00	0.29	

^{*} Based on 2002 Peer Mortgage Data: Northeast Region 2.

^{**} As a percentage of loans with borrower income information available. No information was available for 3.57% 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.

Institution ID: 1000002137 NATIONAL PENN BANK

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: PENNSYLVANIA					Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					Market Share [*]				
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 ^{****}						
Full Review:																
Philadelphia AA – 6160	332	50.23	15.00	9.37	15.58	18.73	22.97	25.68	46.44	46.22	1.07	0.76	1.38	1.28	0.91	
Reading AA – 6680	290	43.87	16.35	7.32	19.11	18.82	27.41	27.18	37.13	46.69	9.33	5.65	6.45	9.67	11.65	
Limited Review:																
Lehigh AA – 0240	29	4.39	16.21	6.90	18.37	17.24	26.05	31.03	39.37	44.83	0.79	0.60	0.67	0.74	0.91	
Lancaster AA - 4000	10	1.51	15.01	30.00	21.81	0.00	30.10	30.00	33.09	40.00	1.56	7.14	0.00	1.14	1.11	

^{*} Based on 2002 Peer Mortgage Data: Northeast Region 2.

^{**} As a percentage of loans with borrower income information available. No information was available for 0.61% 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.

Institution ID: 1000002137 NATIONAL PENN BANK

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: PENNSYLVANIA					Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					Market Share [*]				
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 ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}						
Full Review:																
Philadelphia AA – 6160	572	50.31	15.00	6.58	15.58	11.52	22.97	19.74	46.44	62.16	0.33	0.43	0.29	0.28	0.35	
Reading AA – 6680	478	42.04	16.35	6.32	19.11	19.17	27.41	29.63	37.13	44.88	2.36	2.26	2.35	2.80	2.12	
Limited Review:																
Lehigh AA – 0240	70	6.16	16.21	7.35	18.37	11.76	26.05	23.53	39.37	57.35	0.26	0.44	0.09	0.23	0.30	
Lancaster AA - 4000	17	1.50	15.01	11.76	21.81	11.76	30.10	11.76	33.09	64.71	0.86	1.82	0.37	0.44	1.30	

^{*} Based on 2002 Peer Mortgage Data: Northeast Region 2.

^{**} As a percentage of loans with borrower income information available. No information was available for 4.05% of loans originated and purchased by BANK.

^{***} Percentage of Families is based on the 1990 Census information.

^{****} 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.

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Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: PENNSYLVANIA			Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002				
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
Full Review:									
Philadelphia AA – 6160	1,254	63.40	60.44	52.15	58.77	20.81	20.41	0.50	0.95
Reading AA – 6680	534	27.00	63.49	54.12	58.80	23.41	17.79	1.97	5.02
Limited Review:									
Lehigh AA – 0240	151	7.63	61.21	49.67	50.33	24.50	25.17	0.47	0.97
Lancaster AA - 4000	39	1.97	70.09	23.08	71.79	12.82	15.38	0.09	0.12

* Based on 2002 Peer Small Business Data: US and 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 - 2002).

**** 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 0.81% of small loans to businesses originated and purchased by the bank.

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Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: PENNSYLVANIA			Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002				
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
Full Review:									
Philadelphia AA – 6160	4	44.44	90.29	75.00	75.00	25.00	0.00	0.76	1.10
Reading AA – 6680	5	55.56	91.44	100.00	60.00	40.00	0.00	1.96	2.70
Limited Review:									
Lehigh AA – 0240	0	0.00	88.64	0.00	0.00	0.00	0.00	0.00	0.00
Lancaster AA – 4000	0	0.00	93.62	0.00	0.00	0.00	0.00	0.15	0.17

* Based on 2002 Peer Small Business Data: US and 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 - 2002).

**** 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 0.00% of small loans to farms originated and purchased by the bank.

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Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: PENNSYLVANIA									
Evaluation Period: OCTOBER 3, 2000 TO NOVEMBER 17, 2003									
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Philadelphia AA – 6160	0	0	57	5,564	57	5,564	71.08	0	0
Reading AA – 6680	3	959	22	134	25	1,093	13.96	0	0
Limited Review:									
Lehigh AA – 0240	2	1,134	15	29	17	1,163	14.86	0	0
Lancaster AA – 4000	0	0	3	8	3	8	0.10	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.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: PENNSYLVANIA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002									
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
Full Review:																	
Philadelphia AA – 6160	55.45	35	57	0.00	11.43	45.71	42.86	2	7	0	+1	+2	-1	5.86	9.16	40.39	44.20
Reading AA – 6680	37.55	17	28	5.88	5.88	76.47	11.77	0	1	0	0	+4	0	3.47	12.00	69.37	15.16
Limited Review:																	
Lehigh AA – 0240	5.84	8	13	0.00	0.00	50.00	50.00	2	1	0	0	+1	0	3.05	12.46	61.96	22.53
Lancaster AA - 4000	1.16	1	2	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	0.00	100.00	0.00

Note: Based on 2000 Census Data two geographies in the Philadelphia AA went from middle-income to moderate-income geographies.