

# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

April 3, 2000

## Community Reinvestment Act Performance Evaluation

Community Banks, NA  
Charter Number: 2252

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Millersburg, Pennsylvania 17061

Office of the Comptroller of the Currency

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

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## General Information

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

*This document is an evaluation of the CRA performance of **Community Banks, NA** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 3, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Overall CRA Rating

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

The following table indicates the performance level of **Community Banks, NA** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Community Banks, NA Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	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:

- y Lending levels reflect a good responsiveness to the credit needs of the assessment areas.
- y The geographic distribution of loans reflects a good penetration throughout the assessment areas.
- y The distribution of borrowers reflects a good penetration among retail customers of different income levels and business customers of different sizes.
- y The bank makes use of flexible lending products.

- y There is a good volume of qualified investments and donations.
- y The bank's service delivery systems are accessible to geographies and individuals of different income levels in the assessment areas.
- y The bank provides a good level of community development services.

## **Description of Institution**

Community Banks, NA (CBNA) is a full service community bank headquartered in Millersburg, Pennsylvania. Total assets were \$592 million as of December 31, 1999. CBNA is an intrastate bank, with twenty-four branches located in Dauphin (MSA 3240), Luzerne (MSA 7560), Northumberland (Non-MSA), Schuylkill (Non-MSA), and Snyder (Non-MSA) Counties. The bank operates in the south central portions of Pennsylvania, serving primarily rural market areas, but also services the metropolitan area near the state capital of Harrisburg. CBNA has no operating subsidiaries or affiliates whose activities are considered in this Public Evaluation. Likewise, there has not been any merger activity that would affect the bank's CRA performance.

CBNA is a subsidiary of Community Banks, Inc. (CBI). CBI is also headquartered in Millersburg, Pennsylvania. CBI owns a second banking subsidiary, Peoples State Bank, which was acquired on March 31, 1998. In addition to its banking subsidiaries, CBI owns and operates Community Bank Investments, Inc. and Community Banks Life Insurance Co., Inc. CBI also operates in the south central portion of Pennsylvania. CBI's total assets were \$972 million as of December 31, 1999.

As of December 31, 1999 CBNA had net loans of \$333 million or 56% of total assets. The loan portfolio consisted of 32% residential real estate loans, 49% commercial and commercial real estate, 18% consumer installment loans, and 1% municipal loans. Total investment securities, all held as available-for-sale, were \$205 million or 36% of total assets. Net Tier 1 Capital as December 31, 1999 is \$49.8 million and the Tier 1 Leverage ratio is 8.42%. There are no legal or financial impediments which would hinder the bank's ability to help meet the credit needs of its community. CBNA received a satisfactory rating at their last CRA performance evaluation, dated November 3, 1997.

CBNA's strategy centers on offering community banking services, including loans, deposits, and trust services. Community-based loan officers are authorized to make many of the lending decisions.





## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the Lending Test covers activity from January 1, 1998 to December 31, 1999. Our review covered the following loan products: home purchase loans, home improvement loans, home mortgage refinance loans, and small business loans. No community development loans were originated during the evaluation period. CBNA's origination and purchase of small farm loans was not evaluated, as the lending volume was not significant enough to perform a meaningful analysis (less than 1% of the number of loan originations/purchases over the Lending Test evaluation period). We sampled loan products in each of the three assessment areas since the bank's collected data was not accurate. The details are discussed under Data Integrity.

We sampled twenty home purchase, home improvement, and home refinance mortgages for each assessment area. We also sampled twenty or more small business loans for each assessment area. Our ratings and the information provided in the **Tables of Performance Data** in **Appendix C-1** are based on these samples.

The evaluation period for the Investment and Service Tests covers November 4, 1997 to April 3, 2000. For the Investment and Service tests, we considered qualified investment activity and CBNA's record of providing retail and community development services.

### Data Integrity

CBNA is a HMDA reporter, but their data collection was not accurate for 1998 and 1999. Critical data used in the CRA evaluation was incorrectly reported for HMDA, such as borrower income, loan amounts, and purpose. During a comparison of HMDA loan files to the HMDA Loan Application Register (LAR), we found significant errors in the data collected. As a result, we were unable to utilize the HMDA LAR as a source of information for this Performance Evaluation.

Similarly, we tested the data integrity of small business and small farm loan information collected by the bank for 1998 and 1999. We compared information in these loan files to the data reported on the Small Business and Small Farm LAR.

Again, we found significant errors in the data collected and were unable to use the small business data on the LAR as a source of information. Errors on the Small Business LAR were largely incorrect income revenue codes for the borrower. However, the small farm data was determined to be accurate and that information is presented herein.

No reliable market share data is available for the bank's home mortgage and small

business lending due to inaccurate HMDA and small business loan data. Therefore, we based our comparisons of CBNA's lending patterns to the demographics of each assessment area for HMDA and small business loans. The publicly reported HMDA and small business data is incorrect for 1998 and 1999. Management will correct the 1999 HMDA LAR and Small Business LAR data and place the corrected data in their public file. As discussed above we used a sample of loans to ensure that our analysis was based on accurate data.

### **Selection of Areas for Full-Scope Review**

CBNA has three assessment areas (AA).

- The first AA is Dauphin County in MSA 3240 (Harrisburg-Lebanon-Carlisle).
- The second AA is in a Non-MSA consisting of all of Northumberland and Schuylkill counties, and the western half of Snyder County and the southeast corner of Union County.
- The final AA is in MSA 7560 (Scranton-Wilkes-Barre-Hazleton) and consists of the southern portion of Luzerne County.

MSA 3240 and the Non-MSA received full scope reviews, while MSA 7560 received a limited scope review. The full scope areas constitute a representative sample of both significant and less significant markets in which the bank operates. The ratings are based primarily on the results of those areas that received full scope reviews. Refer to **Appendix A** for more information.

### **Ratings**

The bank's overall rating is based primarily on those areas that received full scope reviews. In evaluating the bank's overall performance under the Community Reinvestment Act, more emphasis was placed on the Non-MSA assessment area, as this area contains 50% of the bank's deposit base, more than 50% of the branches, and approximately 50% of the lending activity.

### **Other**

During our examination, we contacted one housing organization in MSA 3240. We discussed, via the telephone, the credit needs of the AA served by the contact. This organization's primary goal is to assist low- and moderate-income (LMI) individuals in purchasing safe, decent, and affordable housing. The contact indicated that the credit needs in this AA are housing- and small business-related. This organization stated that all area banks need to focus more on low- and moderate-income individuals and less on the low- and moderate-income areas. The contact was particularly concerned about secondary market lenders because they may not be the best deal for consumers, but they do advertise to attract LMI individuals. According to the contact, community development opportunities are numerous.

During our examination, we contacted one community development organization in MSA 7560 that assists LMI individuals in acquiring a home, as well as providing assistance to small businesses. We discussed, via the telephone, the credit needs of the assessment area served by the contact. The contact indicated that the primary credit needs are housing-related and loans for small businesses.

Two previously completed contacts in CBNA's assessment areas were reviewed during the examination. The contacts included a development authority and a municipal authority in the Non-MSA assessment area. Comments from the contacts in the Non-MSA assessment area were positive regarding the involvement of all banks in the AA. Credit needs center around housing for LMI individuals and credit for small businesses, per our contacts. Limited community development activities are available due to the rural nature of the Non-MSA area.

## **Fair Lending Review**

A Fair Lending examination was performed in conjunction with the CRA examination. We tested for discrimination on a gender basis by comparing refinance mortgage loan denials of individual female applicants to approvals for individual male borrowers. Our sample consisted of all individual female applicants who were denied refinance mortgage loans in 1999 and approved individual male borrowers whose loans were originated in 1999. We also reviewed bank policies and procedures that are used to comply with the requirements of the Fair Lending regulations. Our analysis detected no evidence of disparate treatment and found satisfactory systems in place to support the bank's Fair Lending compliance efforts. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the Lending Test is rated high satisfactory. Based on full-scope reviews, the bank's performance in MSA 3240 and in the Non-MSA area is good. In evaluating the bank's lending performance, more weight was given to home mortgage products in determining the lending test rating, because home mortgages represent the majority of the bank's lending.

#### Lending Activity

Refer to **Table 1** in **Appendix C** for the facts and data used to evaluate the bank's lending activity. Information reflected on **Table 1** was the original data reported by CBNA on the HMDA LAR and small business LAR. While we recognize that data inaccuracies exist in the bank's collection process for HMDA and small business, the volume of loans was not affected.

CBNA's lending levels reflect a good responsiveness to the credit needs for the AAs receiving a full scope review. Primary credit needs are housing- and small business-related. The bank had no community development lending in this evaluation period. In MSA 3240, competition for community development loans is strong and CBNA is competing in a market with many regional institutions. In the Non-MSA AA, the rural nature of the location limits the number of community development lending opportunities.

Housing-related credits were the primary products originated by CBNA by both number and dollar volume of loans in the AAs receiving full scope reviews. Housing-related credits represent 64% of originations by dollar volume and small business loans represent 35% by dollar volume in the AAs receiving full scope reviews.

The bank's loans to deposit ratio at year end 1999 was 80%, for year end 1998 it was 79%, and for year end 1997 it was 73%. The loan to deposit ratio indicates that the bank is lending.

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

The distribution of loans by income level of geography is good.

## Home Mortgage Loans

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

### MSA 3240

There are no low-income geographies in this area, therefore we focused on the bank's record of lending in moderate-income census tracts. The geographic distribution of home purchase loans is excellent. The lending in moderate-income tracts is over six times the percentage of owner-occupied housing in the moderate-income category.

CBNA's geographic distribution of home improvement loans is adequate when considering the limited opportunities for lending in these tracts. Only three percent (1,277) of the owner-occupied units are located in these tracts. The bank has no record of home improvement lending in these tracts.

CBNA's geographic distribution of home mortgage refinance loans is excellent. The bank's lending in moderate-income census tracts is a little over three times the percentage of owner-occupied units.

### Non-MSA

Again, there are no low-income geographies in this area, therefore we focused on the bank's record of lending in moderate-income census tracts. The geographic distribution of home purchase loans is poor, because it is significantly below the demographic data. The geographic distribution of home improvement loans and home mortgage refinance loans is excellent, and well exceeds the percentage of owner-occupied housing units.

## Small Loans to Businesses

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

### MSA 3240

As we stated earlier, there are no low-income geographies in this area, therefore we focused on the bank's record of lending in moderate-income census tracts. The bank made no loans in moderate-income tracts. However, we consider this adequate since there are very limited opportunities in these areas. Only one percent of businesses (67) are located in moderate-income census tracts.

**Non-MSA**

There are no low-income geographies in this area, therefore we focused on the bank's record of lending in moderate-income census tracts. Lending in moderate-income tracts is poor. The bank has no record of originations in these tracts, although thirteen percent of businesses are located there. Management could not offer an explanation for the lack of lending in the moderate-income tracts.

**Small Loans to Farms**

Refer to **Table 6** in **Appendix C** for the facts and data regarding the geographic distribution of the bank's origination/purchase of small loans to farms. No analysis of small farm lending was performed, as it is not meaningful to this evaluation.

**Lending Gap Analysis**

There are no unexplained gaps in CBNA's mortgage or small business lending patterns.

**Inside/Outside Ratio**

CBNA originates a substantial majority of its lending within its AAs. CBNA's record of lending in their AA was factored into our geographic distribution analysis. Our analysis is based on CBNA's lending patterns at the bank level and not on the individual AAs. The information we analyzed included bank originations and purchases only. The volume of loans originated in the AAs during the evaluation period is as follows: 92% home mortgage loans, 75% small business loans, and 77% small farm loans.

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

The distribution of loans by borrower income level is good.

**Home Mortgage Loans**

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

We evaluated the bank's lending practices by comparing their level of lending to low- and moderate-income families to the demographics of each AA. We also considered the unique characteristics of each AA. Please refer to the individual comments for each AA.



**MSA 3240**

CBNA displays an excellent record of lending to both low- and moderate-income families for home purchase, home improvement, and home mortgage refinance loans. The bank's percentage of lending to low- and moderate-income families significantly exceeds the percentage of low- and moderate-income families within this AA, with the exception of home improvement loans to low-income borrowers.

Home improvement loans to low-income families is below the demographics but is considered good when considering the median cost of housing of \$76 thousand, based on 1990 census data, is high in relationship to a low-income person's maximum earnings of \$24 thousand per year. In addition, five percent of the households are below the poverty level.

**Non-MSA**

CBNA displays an excellent record of lending to moderate-income borrowers for home purchase because the percentage of loans to moderate-income borrowers exceeds the demographics. CBNA displays a good record of lending to low-income borrowers even though the bank's lending levels are below demographics when considering the cost of housing compared to the income of a low-income person. The median cost of housing at \$44 thousand, based on 1990 census data, is high in relationship to a low-income family's maximum earnings of \$18 thousand per year. Low-income families represent 18% of the families in this non-MSA AA, but 12% of the households are below the poverty level, making home purchase even more difficult.

CBNA's record of lending to moderate-income borrowers for home improvement is good, with lending levels near to the percentage of moderate-income families. CBNA's record of lending to low-income borrowers for home improvement is also good. The bank's lending level to low-income borrowers is 5% versus 18% low-income families, but as discussed above, the high level of poverty has been considered in our analysis.

The bank's record of home mortgage refinance lending to moderate-income borrowers is excellent because it significantly exceeds the demographics. However, the bank's record of home mortgage refinance lending to low-income families is poor even when considering the median cost of housing versus low-income family's earnings and the high level of poverty. Again, low-income families represent 18% of the population, but the bank has no record of lending to low-income borrowers for home mortgage refinance products.

**Small Loans to Businesses**

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

CBNA displays an excellent borrower distribution of small loans to businesses. We analyzed the bank's distribution of small business loan originations by calculating the percentage of loans made to small businesses. The bank's record was then compared to the percentage of small businesses in each AA and to the percentage of small business loans made by all lenders in each AA. Finally, CBNA's distribution of loans by original loan amount was evaluated regardless of business size.

### **MSA 3240**

The distribution of small business loans in this AA is excellent. CBNA's percentage of loans to small businesses significantly exceeds the percentage of small businesses and the percentage of loans made by all lenders to small businesses in the AA. The bank's distribution by size of loan shows that a majority of the loan originations are for \$100 thousand or less. This is another indication that the bank's business lending is primarily to small businesses.

### **Non-MSA**

The distribution of small business loans in this AA is also excellent. The bank's lending levels exceed the percentage of small businesses located within the AA. CBNA's lending levels significantly exceed the percentage of loans to small businesses originated by all lenders in the AA. The bank's distribution by size of loan shows that a substantial majority of the loan originations are for \$100 thousand or less. Again, this is an indication that the bank's business lending is primarily to small businesses.

### **Small Loans to Farms**

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 farms. No analysis of small farm lending was performed, as the lending volume was not significant enough to perform a meaningful analysis (less than 1% of the number of loan originations/purchases over the evaluation period).

### **Community Development Lending**

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

The bank has no community development lending in either of its AAs, MSA 3240 and the Non-MSA. CBNA's management stated that many of the loans reported under the small business loan data collection process had community development purposes, but because the loans were recorded as small business loans, they could not also be reported as community development loans.

**MSA 3240**

There are opportunities for community development lending in this AA. However, competition is strong in this AA and CBNA does not have a large presence in comparison to other financial institutions and competes against a number of larger regional institutions.

**Non-MSA**

Opportunities for community development lending in this AA are limited.

**Product Innovation and Flexibility**

CBNA offers several flexible lending products. The bank offers the customary loan products with features designed to make credit more affordable to low- and moderate-income borrowers. For example, no point mortgages, private mortgage insurance (PMI) loans, and adjustable rate mortgages with flexible repayment terms are offered. The bank has also recently been approved as a Pennsylvania Housing Finance Agency (PHFA) lender. The PHFA program is designed to help meet the needs of LMI borrowers. No information was available regarding the number and dollar amount originated under either program. Finally, CBNA is flexible with its lending policy guidelines in order to help meet the needs of individual borrowers.

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

Based on a limited-scope review, the bank's performance under the Lending Test in MSA 7560 is not inconsistent with the bank's overall high satisfactory performance under the Lending Test. Refer to **Tables 1 through 11** 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 MSA 3240 and the Non-MSA is good. Investment opportunities in MSA 3240 are available, but competition is strong for these investments and the investments are generally purchased by the regional institutions operating within this MSA. Investment opportunities in the Non-MSA are very limited. Investment opportunities were determined through discussions with community contacts and through our own internal resources.

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

Current period investments totaling \$ 1.04 million exhibit a good responsiveness to the primary credit needs in the AAs. Local community organizations indicate that affordable housing is a primary credit need. Approximately 99% of the bank's total investments were GNMA, FNMA, and Pennsylvania Housing Finance Agency bonds that primarily benefited LMI borrowers. The geographic area associated with these bonds includes the bank's AAs as well as a broader statewide area.

### **MSA 3240**

The types and dollar amounts (in thousands) of qualified investments made in this MSA are as follows:

FNMA and GNMA bonds (See previous comments)	\$ 502
Community grants and donations	\$ 6

Donations were made to the YMCA for specific programs that benefit low-income children.

### **Non-MSA**

The types and dollar amounts (in thousands) of qualified investments made in this Non-MSA area are as follows:

Pennsylvania Housing Finance Bonds (See previous comments)	\$ 522
Community grants and donations	\$ 7

Approximately 50% of the grants and donations benefited small businesses within the AA and another 30% were for scholarships that benefited LMI students within the AA. Finally, 15% of the donations benefited a local thrift store that promotes and supports LMI needs. The remaining 5% were miscellaneous donations to community development service organizations.

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

Based on limited-scope reviews, the bank's performance under the Investment Test in MSA7560 is weaker than the bank's overall high satisfactory rating under the Investment Test. Weaker investment performance in MSA 7560 does not affect the overall investment rating because investment opportunities are very limited, it is a newer market area for the bank, and there are only three offices in this AA. 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 high satisfactory. Based on full-scope reviews, the bank's performance in MSA 3240 and the Non-MSA AAs is good.

#### Retail Banking Services

Refer to **Table 13** in **Appendix C** for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings. The same financial services are offered at all of the bank's branches. Those services include a full range of loan, deposit, and trust services. Retail banking services provided in each AA are described in the comments that follow. The bank offers ATM services at some but not all branch locations, and there is one stand-alone ATM.

#### MSA 3240

CBNA's service delivery systems are accessible to geographies and individuals of different income levels in the AA. The bank operates eight branches in this area. There is a branch in the only moderate-income tract for this AA, six branches in middle-income tracts, and one branch in an upper-income tract. The bank's percentage of branches in moderate-income tract significantly exceeds the percentage of population within the tract.

**Table 13** notes the opening of one new branch in an upper-income tract - this is the only branch in an upper-income tract. No offices have been closed since the previous evaluation.

All eight offices are full service branches. Hours may vary slightly by branch but typical lobby hours are 9 AM to 3 PM Monday through Thursday and 9 AM to 6 PM on Friday. All of the offices have drive-up facilities which offer extended hours beyond the lobby hours on Thursday and Friday. All branches offer Saturday morning hours either through lobby and/or drive-up facilities. Six of the eight branches have ATM machines, excluding the branch located in the moderate-income census tract and the branch located in the upper-income tract. There are three branches with ATMs near the moderate-income branch which can provide customers with ATM access. There are also two branches near the upper-income branch location that provide access to ATM services.

#### Non-MSA

CBNA's service delivery systems are accessible to geographies and individuals of different income levels in the AA. The bank operates thirteen branches in this area. Ten branches are located in Schuylkill County. Of these ten branches, one is located in a moderate-income tract and is near to the percentage of population in these tracts. Seven branches are located in middle-income tracts, and two are located in upper-income tracts. Seven of the branches have ATMs, including the moderate-income branch. Two branches, both with ATMs, and one stand-alone ATM are located in Northumberland County, with all being located in middle-income tracts. One of the branches and the ATM are in close proximity to all six moderate-income tracts in this county. There is one branch, with ATM, located in Snyder County and it is located in an upper-income tract. The Snyder County branch was opened in May 1998. No branches have been closed since the previous evaluation period.

All thirteen offices in this AA are full service branches and include drive-up facilities. Hours may vary slightly by branch but typical lobby hours are 9 AM to 3 PM Monday through Thursday and 9 AM to 6 PM on Friday. All of the offices have drive-up facilities which offer extended hours beyond the lobby hours on Thursday and Friday. All branches offer Saturday morning hours either through lobby and/or drive-up facilities.

### **Alternative delivery system**

CBNA offers telephone banking in all three AAs as an alternative delivery system. Bank-by-phone allows bank customers access to deposit and loan account information, the ability to transfer funds, funds verification, and interest rate information. No documentation is maintained as to how telephone banking serves low- and moderate-income customers and geographies. Therefore, no significant consideration was given to telephone banking in assigning the overall rating.

### **Community Development Services**

#### **MSA 3240**

CBNA provides a good level of community development services. Six employees participate in six different organizations that include housing, economic development and community services for LMI individuals. Employees provide financial expertise and banking knowledge in reviewing loan applications, budgets, assisting in allocating resources, and planning and developing strategies. The organizations served by bank employees are responsive to the needs of the community. Opportunities to provide community development services are numerous. Again, information regarding opportunities was obtained through community contact discussions and through our internal resources. CBNA's performance is described below.

#### **Housing Foundation**

One employee is a board member and treasurer of this foundation. The foundation provides apartments to low-income families and is in the process of building a personal care facility to assist low-income persons.

### **Industrial Development Authority**

One employee is a board member and secretary of the Industrial Development Authority. The authority provides low-cost financing for industries that provide employment for the community, primarily through the support of small businesses and job opportunities primarily for LMI individuals.

### **Food Bank**

One employee is a board member of a food bank organization. The organization rescues perishable food and distributes it to more than 70 local agencies that serve low-income children, the homeless, and economically disadvantaged persons.

### **Chamber of Commerce**

One employee serves as a member. The employee provides financial counseling to low-income families in inner city Harrisburg.

### **Non Profit Service Organization**

One employee is a board member for this non-profit organization. The organization assists homeless persons that are re-entering the community by assisting with housing needs and helping to expand employment skills.

### **Housing Organization**

One employee is secretary and treasurer of this organization. The organization rents to low-income families and files all forms with the County to obtain rent rebates, housing applications, maintenance on apartments, and HUD inspections for the benefit of low-income families.

### **Non-MSA**

CBNA also provides a good level of community development services in this AA. Five employees participate in four different organizations. Two of the organizations are housing-related and two relate to economic development. Employees provide financial expertise and banking knowledge in reviewing loan applications, budgets, assisting in allocating resources, and planning and developing strategies. Opportunities to provide community development services are more limited in this AA because the area is more rural than MSA 3240. CBNA's performance is described below.

### **Economic Opportunity Cabinet**

One employee serves as a member. The employee was instrumental in the development of and continues to assist in the administration of a Homebuyer's Coalition and a Homebuyers Workshop Series. The goal of the Homebuyer's



Coalition is to promote homeownership opportunities for primarily low- and moderate-income first-time homebuyers and economically disadvantaged families.

The Coalition provides comprehensive services including family housing assessments, mortgage counseling, credit report interpretation and repair, budget counseling, home selection skills, and financing options.

### **Economic Development Corporation**

Two employees provide financial expertise as board members. The objectives of the organization are to revitalize LMI areas and promote economic growth through providing assistance to small businesses and creating and retaining jobs primarily for low-and moderate-income individuals.

### **Affordable Housing Trust Fund**

One employee is a board member. The trust fund provides funds to low-income families for home improvement efforts.

### **Industrial Corporation**

One employee is an officer for this organization. The objective of the organization is to help maintain and relocate small businesses into this very rural and economically depressed area. Creating and retaining jobs for LMI individuals is a primary focus.

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

Based on limited-scope review, the bank's performance under the Service Test in MSA 7560 is not inconsistent with the bank's overall high satisfactory performance under the Service Test. Refer to **Table 13** in **Appendix C** for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test: January 1, 1998 to December 31, 1999 Investment Test: November 4, 1997 to April 3, 2000 Service Test: November 4, 1997 to April 3, 2000	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Community Banks, NA Millersburg, Pennsylvania	A sample of home purchase, home improvement, home mortgage refinance loans, and small business loans. All farm loans. All investments and all community development services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not applicable.	Not applicable.	Not applicable.
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Harrisburg-Lebanon-Carlisle - MSA 3240	Full Scope	None.
Wilkes-Barre-Scranton-Hazleton - MSA 7560	Limited Scope	
Northumberland, Schuylkill, Snyder, Union counties - Non MSA	Full Scope	

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

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

Harrisburg-Lebanon-Carlisle (MSA 3240) .....	B-2
Northumberland, Snyder, Schuylkill, Union counties (Non-MSA).....	B-4

## Harrisburg-Lebanon-Carlisle MSA 3240

Demographic Information for Full-Scope Area: Harrisburg-Lebanon-Carlisle- MSA 3240						
Comm Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	22	0	4	73	23	0
Population by Geography	110,992	0	3	71	26	0
Owner-Occupied Housing by Geography	30,853	0	3	70	27	0
Businesses by Geography	4,648	0	1	67	32	0
Farms by Geography	205	0	8	72	20	0
Family Distribution by Income Level	31,216	12	18	29	41	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,514	0	5	79	17	0
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$37,389 = \$48,400 = 5.42	Median Housing Value Unemployment Rate (January 2000) - Dauphin Cty				= \$76,160 = 3.5%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 199X HUD updated MFI.

### Description of Assessment Area

CBNA's assessment area in MSA 3240 includes only a portion of the total MSA. The assessment area consists of 22 contiguous census tracts in Dauphin County, representing the northwest portion of the County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

There are no low-income census tracts and only one moderate-income census tract in this assessment area. CBNA operates eight offices and six ATMs in Dauphin County, including an office in the moderate-income tract. Major competitors include Allfirst Bank, Mellon Bank, PNC Bank, Fulton Bank, First Union, various other regional banks, and numerous small community-based banks.

As of June 30, 1999, Community Banks' market share of deposits in Dauphin County was 4.94% or 8<sup>th</sup> in the County. No market share data regarding mortgage loan or business loan originations is available due to data integrity issues noted earlier in this evaluation. The total percentage of deposits and loans in this AA is 38 and 34, respectively.

As of January 2000 the unemployment rate in the county was 3.5%, below Pennsylvania's unemployment rate of 4.6%. The top five employers in the County are the Pennsylvania State Government; Hershey Foods Corporation; Herco, Inc.; Harrisburg Polyclinic Medical Center; and Hershey Medical Center.

Community Credit Needs

We contacted a local housing organization to discuss credit needs in this assessment area. Credit needs in this assessment area are housing-related for LMI individuals and small business loans.

Community Development Opportunities

According to the contact, community development opportunities are numerous. However, competition for community development investments and loans is strong, with regional institutions monopolizing community development opportunities.

## Non MSA - Schuylkill, Northumberland, Snyder, Union

Demographic Information for Full-Scope Area: Nonmetropolitan Area Schuylkill, Northumberland, Snyder, and Union Counties						
Comm Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (BNAs)	73	0	12	74	11	3
Population by Geography	289,518	0	12	77	11	0
Owner-Occupied Housing by Geography	86,520	0	13	76	11	0
Businesses by Geography	9,829	0	13	76	11	0
Farms by Geography	685	0	2	86	12	0
Family Distribution by Income Level	80,647	18	19	25	40	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	29732	0	18	75	7	0
Median Family Income	= \$28,934	Median Housing Value				= \$44,402
HUD Adjusted Median Family Income for 1998	= \$36,700	Unemployment Rate (January 2000)				
Households Below the Poverty Level	= 12.34	Schuylkill				= 7.3%
		Northumberland				= 5.4%
		Snyder				= 3.7%
		Union				= 3.2%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 199X HUD updated MFI.

### Description of Assessment Area

CBNA's assessment area in this Non-MSA area consists of all of Schuylkill (40 BNAs) and Northumberland Counties (25 BNAs) and portions of Snyder (5 BNAs) and Union Counties (3 BNAs). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

There are no low-income BNAs and only nine moderate-income BNAs. Six of the moderate-income tracts are in Northumberland County and three of the moderate-income tracts are in Schuylkill County.

CBNA operates thirteen branches and eleven ATMs in this assessment area. Major competitors in the area include branches of Keystone Financial Bank, First Union, Main Street Bank, and a variety of community banks.

As of June 30, 1999, the bank's market of deposits in Schuylkill County was 8.54%, in Northumberland County it was 4.21%, and in Snyder County it was 0.80%. The bank has no branches in Union County. No market share data regarding mortgage loan or business loan originations is available due to data integrity issues noted earlier in this evaluation. The total percentage of deposits and loans in this AA is 50 and 52, respectively.

As of January 2000, unemployment was 7.3% in Schuylkill County, 5.4% in Northumberland County, 3.7% in Snyder County, and 3.2% in Union County. Pennsylvania unemployment rate was 4.6% for the same time period.

The counties in this assessment area are rural in nature. The primary employers are state and local government units, school districts, and hospitals.

#### Community Credit Needs

We reviewed two contacts, a development authority and a municipal authority, in this assessment area. Credit needs are housing-related for LMI individuals and small business-related.

#### Community Development Opportunities

Both community contacts noted that community development loans and investments in this assessment area were limited due to the rural nature of the area.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

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

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the



percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

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

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

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

**Table 1. Lending Volume**

LENDING VOLUME		State: Pennsylvania				Evaluation Period: January 1, 1998 TO December 31, 1999						
MSA/Assessment Area:	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans(#) in MSA/AA
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
MSA 3240	38	505	25,192	189	2,783	5	318	0	0	699	28,293	34
Non-MSA	50	877	32,568	180	2,645	7	1,085	0	0	1,064	36,298	52
Limited-Scope:												
MSA- 7560	12	186	5,315	102	1,152	1	4	0	0	289	6,471	14

\* Deposit data as of June 30, 1998.

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

Geographic Distribution: HOME PURCHASE																State: Pennsylvania		Evaluation Period: January 1, 1998 TO December, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
MSA 3240	0	0	3	20	70	75	27	5	NA	NA	NA	NA	NA	NA	20	33			
Non-MSA	0	0	13	5	76	85	11	10	NA	NA	NA	NA	NA	NA	20	33			
Limited-Scope:																			
MSA 7560	0	0	10	5	66	75	24	20	NA	NA	NA	NA	NA	NA	20	34			

NA = Market share data for the bank is not included due to the data integrity issues discussed previously.

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

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

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

Geographic Distribution: HOME IMPROVEMENT																State: Pennsylvania		Evaluation Period: January 1, 1998 TO December 31, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
MSA 3240	0	0	3	0	70	100	27	0	NA	NA	NA	NA	NA	NA	20	33			
Non-MSA	0	0	13	25	76	65	11	10	NA	NA	NA	NA	NA	NA	20	33			
Limited-Scope:																			
MSA 7560	0	0	10	0	66	90	24	10	NA	NA	NA	NA	NA	NA	20	34			

NA = Market share data for the bank is not included due to the data integrity issues discussed previously.

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

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE																State: Pennsylvania		Evaluation Period: January 1, 1998 TO December 31, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
MSA 3240	0	0	3	10	70	90	27	0	NA	NA	NA	NA	NA	NA	20	33			
Non-MSA	0	0	13	35	76	65	11	0	NA	NA	NA	NA	NA	NA	20	33			
Limited-Scope:																			
MSA 7560	0	0	10	45	66	55	24	0	NA	NA	NA	NA	NA	NA	20	34			

NA = Market share data for the bank is not included due to the data integrity issues discussed previously.

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

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

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

Geographic Distribution: SMALL LOANS TO BUSINESSES																
State: Pennsylvania																
Evaluation Period: January 1, 1998 TO December 31, 1999																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
MSA 3240	0	0	1	0	67	76	32	24	NA	NA	NA	NA	NA	NA	21	33
Non-MSA	0	0	13	0	76	65	11	35	NA	NA	NA	NA	NA	NA	20	32
Limited-Scope:																
MSA 7560	0	0	23	27	60	37	17	36	NA	NA	NA	NA	NA	NA	22	35

NA = Market share data for the bank is not included due to the data integrity issues discussed previously.

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

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

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

Geographic Distribution: SMALL LOANS TO FARMS																State: Pennsylvania		Evaluation Period: January 1, 1998 TO December 31, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans				
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
MSA 3240	0	0	8	20	72	80	20	0	5	4.8	0	11.1	5.7	0	5	38			
Non-MSA	0	0	2	0	86	100	12	0	6	8.1	0	0	9.1	0	7	54			
Limited-Scope:																			
MSA 7560	0	0	9	0	22	0	69	100	2	50	0	0	0	100	1	8			

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

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



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

Borrower Distribution: HOME PURCHASE																	State: Pennsylvania		Evaluation Period: January 1, 1998 TO December 31, 1999	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans					
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***				
Full-Scope:																				
MSA 3240	12	25	18	35	29	15	41	25	NA	NA	NA	NA	NA	NA	20	33				
Non- MSA	18	5	19	20	25	40	38	35	NA	NA	NA	NA	NA	NA	20	33				
Limited-Scope:																				
MSA7560	19	20	19	25	25	45	37	10	NA	NA	NA	NA	NA	NA	20	34				

NA = Market share data for the bank is not included due to the data integrity issues discussed previously.

(\*) As a percentage of loans with borrower income information available. No information was available for XX% of loans originated and purchased by the bank.

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

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

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

Borrower Distribution: HOME IMPROVEMENT																	State: Pennsylvania		Evaluation Period: January 1, 1998 TO December 31, 1999	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans					
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**				
Full-Scope:																				
MSA 3240	12	5	18	30	29	40	41	25	NA	NA	NA	NA	NA	NA	20	33				
Non- MSA	18	5	19	15	25	40	38	40	NA	NA	NA	NA	NA	NA	20	33				
Limited-Scope:																				
MSA7560	19	20	19	10	25	40	37	30	NA	NA	NA	NA	NA	NA	20	34				

NA = Market share data for the bank is not included due to the data integrity issues discussed previously.

(\*) As a percentage of loans with borrower income information available. No information was available for XX% of loans originated and purchased by the bank.

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

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

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

Borrower Distribution: HOME MORTGAGE REFINANCE				State: Pennsylvania				Evaluation Period: January 1, 1998 TO December 31, 1999					Total Home Mortgage Refinance Loans			
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					#	% of Total***
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp		
Full-Scope:																
MSA 3240	12	20	18	25	29	35	41	20	NA	NA	NA	NA	NA	NA	20	33
Non- MSA	18	0	19	30	25	35	38	35	NA	NA	NA	NA	NA	NA	20	33
Limited-Scope:																
MSA7560	19	15	19	20	25	30	37	35	NA	NA	NA	NA	NA	NA	20	34

NA = Market share data for the bank is not included due to the data integrity issues discussed previously.

(\*) As a percentage of loans with borrower income information available. No information was available for XX% of loans originated and purchased by the bank.

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

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

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

Borrower Distribution: SMALL LOANS TO BUSINESSES										
State: Pennsylvania				Evaluation Period: January 1, 1998 TO December 31, 1999						
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Loans to Businesses	
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total*****
Full-Scope:										
MSA 3240	67	76	49	62	19	19	NA	NA	16	33
Non- MSA	73	75	66	75	10	15	NA	NA	15	32
Limited-Scope:										
MSA7560	70	77	48	86	14	0	NA	NA	17	35

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

(\*\*) 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 XX% of small loans to businesses originated and purchased by the bank.

(\*\*\*) The market consists of all other Small Business reporters in the MSA/AA and is based on 199X Aggregate Small Business Data only.

(\*\*\*\*) Based on 1998 Aggregate Small Business Data only.

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

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

Borrower Distribution: SMALL LOANS TO FARMS State: Pennsylvania Evaluation Period: January 1, 1998 TO December 31, 1999										
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans	
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total*****
Full-Scope:										
MSA 3240	98	27	100	80	20	0	4.8	5.0	5	27
Non- MSA	97	66	91	57	15	28	8.1	7.7	7	66
Limited-Scope:										
MSA7560	96	100	3	100	0	0	50.0	50.0	1	7

(\*) Farms with revenues of \$1 million or less as a percentage of all farms.

(\*\*) 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 XX% of small loans to farms originated and purchased by the bank.

(\*\*\*) The market consists of all other Small Farm reporters in the MSA/AA and is based on 1998 Aggregate Small Farm Data only.

(\*\*\*\*) Based on 1998 Aggregate Small Farm Data only.

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

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: Pennsylvania Evaluation Period: January 1, 1998 TO December 31, 1999									
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
Full-Scope:									
MSA 3240	0	0	4	508	4	508	48	0	0
Non- MSA	0	0	9	529	9	529	52	0	0
Limited-Scope:									
MSA7560	0	0	2	0***	2	0***	0	0	0

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

(\*\*) An unfunded Commitments means legally binding investment commitments reported on the Report of Condition Schedule-L A Off Balance Sheet Item.

(\*\*\*) Bank has made 2 donations totaling \$90.00.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				State: Pennsylvania				Evaluation Period: January 1, 1998 TO December 31, 1999									
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
MSA 3240	38	8	33	0	13	75	12	0	1	0	0	0	1	0	3	71	26
Non- MSA	50	13	54	0	8	77	15	0	1	0	0	0	1	0	12	77	11
Limited-Scope:																	
MSA 7560	12	3	13	0	33	34	33	0	0	0	0	0	0	0	14	63	23

