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Public Disclosure

July 23, 1997

Community Reinvestment Act Performance Evaluation

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

**P.O. Box 580
Blue Ball, Pa 17506**

**Comptroller of the Currency
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Four Greenwood Square, Suite 120
3325 Street Road
Bensalem, Pennsylvania 19020**

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

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 **Blue Ball National Bank** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **July 23, 1997**. 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 C.F.R. Part 25.Z

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

Primary factors supporting the bank's overall rating include:

- Lending levels reflect a good responsiveness to the credit needs within the assessment area.
- A high percentage of loans are made within the assessment area.
- The geographic distribution of HMDA reported, small business, and small farm loans reflects reasonable penetration throughout the assessment area.
- There is a reasonable distribution of loans among borrowers of different income levels and to businesses and farms of different sizes.
- Opening additional branches over the past two years has improved the accessibility of service delivery systems to all segments of the assessment area.
- There is a low level of qualified community development investments and grants.

The following table indicates the performance level of **Blue Ball National Bank** with

respect to the lending, investment, and service tests.

Table I. Results of Performance Tests

Performance Levels	Blue Ball National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			X
Low satisfactory	X		
Needs to improve		X	
Substantial noncompliance			

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

Scope of the Examination

This evaluation of Blue Ball National Bank's (BBNB) CRA performance covers the period from January 1995 through July 1997. The analysis is based on the bank's Home Mortgage Disclosure Act - Loan Activity Reports (HMDA-LAR) and Loan Registers. Specific loan products evaluated include: HMDA-reportable loans (i.e. home purchase mortgage, refinance, and home improvement loans), loans to small businesses, and loans to small farms. This CRA evaluation does not include an analysis of Atlantic Regional Mortgage Corporation (ARMCO), a full service mortgage banking subsidiary located in Baltimore, Maryland. This subsidiary operates primarily outside of BBNB's assessment area and is not in close proximity to any branch offices or deposit taking automated teller machines.

Description of Institution

BBNB is a \$611 million institution located approximately 10 miles northeast of Lancaster, Pennsylvania. BBNB is a subsidiary of PennRock Financial Services Corporation. In addition, BBNB also owns 100% of ARMCO, which was established in 1996 and originates and sells a large variety of variable and fixed rate residential first mortgage loans primarily in Maryland, Delaware, Washington D.C., and Virginia. These loans are underwritten to private investor standards and are sold to these investors in the secondary market. ARMCO does not service any of the loans it originates.

In addition to its main office in Blue Ball, Pennsylvania, BBNB operates thirteen full service branches throughout its assessment area. BBNB operates seven branches located in northern and eastern portions of Lancaster County within the Lancaster Metropolitan

Statistical Area (MSA). Three branches are located in southern portions of Berks County within the Reading MSA. Three additional branches are located in western Chester County within the Philadelphia MSA. The bank operates automated teller machines at ten of thirteen branch locations plus a stand alone automated teller machine in Bowmansville, Pennsylvania. Six branches have opened since our last CRA evaluation in May of 1995. The bank also opened a loan production office in Reading, Pennsylvania in September of 1996. There are no financial or legal impediments impacting BBNB's ability to help meet its community's credit needs.

The bank's loan portfolio is primarily mortgage loans at 57%, with the balance in commercial loans at 28% and installment loans at 15%. Strong competition is provided by several community banks and larger regional institutions with branch offices in the area.

Description of Assessment Area

BBNB has defined one assessment area which covers parts of three MSA's: Lancaster, Reading, and Philadelphia; and contains a total of 150 contiguous census tracts (CT's). The majority (70) of the CT's are located within the Lancaster MSA, with the remaining CT's in the Reading MSA (47 CT's) and Philadelphia MSA (33 CT's). There are no low or moderate income CT's in the assessment area, with 85% of the CT's designated as middle income and the remaining 15% as upper income. BBNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income CT's.

Based on 1990 census data, BBNB's assessment area has a population of 696,589 which includes total families of 192,754. The median family income for the assessment area averages \$39,766. Housing units total 260,981 of which 84% are one-to-four family units. Owner occupied housing is 74% of the total, and rental occupied housing is 23% of the total. Vacant housing units equal 3% of the total units.

The local economy continues to improve and outperform the overall region in the past few years. The region benefits from a well diversified economic base, lead by retail trade, manufacturing, tourism, agriculture, and service industries. Major employers include Ford, Tyson Foods, Pepperidge Farm, Armstrong Industries, High Industries, Inc., Reading Hospital & Medical Center, and Lukens Inc. Management indicated that primary credit needs in their area are one-to-four family residential housing and small business loans.

Conclusions with Respect to Performance Tests

Lending Test

Lending Activity

BBNB originates a high percentage of loans in its assessment area. For 1996, 85% of the total number and 81% of the total dollar volume of HMDA reported, small business, and small farm loans were within the bank's assessment area. For the first quarter of 1997, 84% of the total number and 82% of the total dollar volume of HMDA reported loans were within the bank's assessment area. For January 1, 1997 through July 11, 1997, 88% of the total number and 90% of the total dollar volume of small business and small farm loan originations were within the assessment area. The following table provides a breakdown of the percentage of loans within BBNB's assessment area by product type.

Table II. Lending Volumes within Assessment Area by Percentage

	1995		1996		1997	
	#	\$(000's)	#	\$(000's)	#	\$(000's)
HMDA:						
Home Purchase	76%	73%	74%	71%	82%	82%
Refinance	75%	75%	74%	74%	77%	80%
Home Improvement	93%	92%	95%	92%	95%	93%
Multifamily	NA	NA	75%	85%	NA	NA
Total HMDA	80%	77%	79%	75%	84%	82%
Small Business	NA	NA	94%	91%	92%	92%
Small Farm	NA	NA	87%	91%	83%	78%
Total Business & Farm	NA	NA	91%	90%	88%	90%
Overall Total	80%	77%	85%	81%	87%	88%

Note: Table does not include 9 home purchase loans within the assessment area originated by ARMCO in 1996.

NA = Data not available; No multifamily loans originated in 1995 or 1997

1997 HMDA loans are first quarter originations; 1997 small business and farm loans are 1/1/97 - 7/11/97 originations; Overall totals for 1997 are depicted over these different timeframes

BBNB's loan to deposit ratio averaged 72% over the past two years compared to an average of 75% for peer banks nationwide and 75% for a group of local bank peers. The bank's loan to deposit ratio has increased gradually over the past two years.

Geographic Distribution of HMDA, Small Business, and Small Farm Loans

The geographic dispersion of HMDA loans throughout the bank's assessment area is

reasonable. The vast majority of CT's are middle income (85%), and the remaining tracts are designated upper income (15%). No CT's within the assessment area are designated low or moderate income. The majority of penetration exists within middle income CT's. For 1995, 95% of the total number of HMDA reported loans originated were in middle income CT's. For 1996, 94% of the total number of HMDA reported, small business, and small farm loans originated were in middle income CT's. For the first quarter of 1997, 96% of the total number of HMDA reported loans originated were in middle income CT's. For January 1, 1997 to July 11, 1997, 94% of the total number of small business and small farm loans originated were in middle income CT's. These figures approximate the proportion of CT's in the assessment area that are middle income.

Borrower Characteristics

The bank's record of lending to borrowers of different income levels was evaluated using HMDA reported loans originated in 1995, 1996, and the first quarter of 1997. Our review of HMDA loans revealed reasonable lending patterns during this timeframe, and is presented within the table which follows.

Table III. Lending to Borrowers of Different Income Levels

HMDA Loans - 1995, 1996, and First Quarter 1997							
	1995		1996		1st Qtr 1997		
Income Level	#	%	#	%	#	%	Total Families
Low	14	4%	24	6%	7	5%	12%
Moderate	84	23%	75	19%	35	27%	18%
Middle	114	31%	146	36%	35	27%	29%
Upper	134	36%	153	38%	55	41%	41%
Income NA *	24	6%	3	1%	0	0	---
Total	370	100%	401	100%	132	100%	100%

* Income NA = Income not available for these loan originations.

A high percentage of BBNB's commercial loans are to small sized businesses and farms. The vast majority of these loans are for less than \$100 thousand and to businesses and farms with annual gross revenues totaling \$1 million or less. In 1996, 76% of BBNB's reported commercial loan originations to businesses and farms were to entities with annual gross revenues totaling \$1 million or less. For January 1, 1997 to July 11, 1997, 88% of BBNB's reported commercial loan originations to businesses and farms were to entities with gross annual revenues totaling \$1 million or less. Based on activity through

mid-July 1997, BBNB should well exceed 1996 business and farm loan originations for 1997. The following tables provide a breakdown by original loan amount of business and farm loans originated in the bank's assessment area during 1996 and Jan. 1, 1997 to July 11, 1997.

Table IV. Business and Farm Loans Originated in 1996

Original Loan Amounts	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	234	7,900	145	3,628
\$100,000 to \$250,000	36	6,408	9	1,574
\$250,000 to \$1,000,000	32	14,118	3	854
Total	302	28,426	157	6,056

Table V. Business and Farm Loans Originated from Jan. 1, 1997 to July 11, 1997

Original Loan Amounts	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	195	6,042	129	2,496
\$100,000 to \$250,000	33	5,367	3	601
\$250,000 to \$1,000,000	31	20,151	5	2,158
Total	259	31,560	137	5,255

Community Development Lending

No loans have been originated in BBNB's assessment area that qualify as community development. However, lending activity in conjunction with the Rural Economic Community Development Service (RECDs) and Fannie Mae's Community Home Buyer's Program is targeted to low and moderate income individuals and geographies. Lending activity under both programs is included within HMDA lending volumes discussed earlier in this evaluation.

Product Innovation

BBNB uses innovative and flexible lending practices in order to serve the credit needs of its assessment area. BBNB offers a Special Loan Program to individuals who do not meet standard underwriting criteria (i.e. higher loan to value ratios; higher debt to income

ratios). BBNB has originated 163 installment, 11 commercial, and 10 real estate loans totaling \$2,574,463 under this program since our last review.

BBNB originated fourteen loans since the last CRA review amounting to \$488,275 targeted toward low and moderate income individuals. Specifically, BBNB offers joint financing in conjunction with the RECDS to individuals who qualify under RECDS's guidelines. This program started in the spring of 1995 and targets low and moderate income individuals and geographies. BBNB has originated seven loans totaling \$117,400 under this program. Since May of 1995, BBNB has offered Fannie Mae's Community Home Buyer's Program to low and moderate income individuals for properties being purchased within city limits. BBNB has extended seven loans under this program with an aggregate total of \$370,875. Lending activity under both the RECDS and Community Home Buyer programs is included within HMDA lending volumes discussed earlier in this evaluation.

Investment Test

The bank has a low level of qualified community development investments or grants. Since the last CRA review, BBNB has contributed \$4,100 to Neighborhood Housing Services of Reading (NHS). NHS is a community based non-profit organization that provides home owner education and ultimately helps potential home buyers throughout the entire process including securing financing. NHS's programs target low and moderate income families.

The bank has a sizeable equity investment within its portfolio in a project known as Tabor Place in the city of Lancaster. The project was developed by Tabor Community Services which is a consumer credit and housing counseling agency. The investment was made in 1994 when BBNB contributed a total of \$630,000 to the 26 unit housing project designed to meet the needs of low income senior citizens in Lancaster. Tenants of Tabor Place must meet the income standards to be accepted into the project, but once accepted, rent is limited to 30% of income. Since the project was funded through equity investments and other contributions, there is no debt service requirement and costs to the tenants can be kept reasonable. In return for their investment, the bank receives income tax credits from the state.

Service Test

Retail Banking Services

The bank has significantly improved the accessibility of service delivery systems to all segments of its assessment area by opening six additional branches and a loan production office over the past two years. No branches were closed during this timeframe. Eleven

of BBNB's branch offices are located in middle income CT's and two offices are located in upper income CT's. Offices are reasonably accessible to all parts of the assessment area. Full banking services are available at all office locations. Office hours meet the convenience and needs of the entire community and include extended weekday and Saturday hours at all locations. In addition, services do not vary in any way that would inconvenience low and moderate income individuals living within the assessment area. All low and moderate income families reside within middle and upper income CT's. Specifically, low and moderate income families comprise 33% of total families living within middle income CT's and 22% of total families residing within upper income CT's. Offices and service delivery systems are readily accessible to all of these areas and individuals residing within these locations.

The bank provides alternative systems for delivering retail banking services to its community, including banking by mail, a website on the Internet, and automated teller machines. The bank also recently implemented banking by telephone. Telephone banking will provide customers more convenient automated access for loan and deposit account inquiries. BBNB conducts surveys of its customers on an ongoing basis to determine the effectiveness of the financial products offered and whether there are any unmet needs. Results show customers are satisfied with the wide array of products offered by BBNB and that the majority of financial needs are being met.

Community Development Services

Senior management lends its financial expertise through its positions on the Board of Directors and various committees for certain organizations throughout the assessment area, notably NHS Reading and BASE, Inc. located in Lancaster. BASE provides financial assistance to small start-up businesses in the Lancaster area. Also, in February of the past fourteen years BBNB has held a one day agriculture seminar featuring well known speakers on a variety of timely and relevant topics specifically related to agriculture including the financial aspects of agriculture. The seminar provides an excellent opportunity for BBNB's lending staff to interact with and inquire about the financial needs of its numerous agriculture customers.

Compliance with Antidiscrimination Laws

A fair lending review performed in conjunction with this CRA examination revealed that BBNB is complying with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.

Metropolitan Statistical Areas

Conclusions with Respect to Performance in the Lancaster MSA (MSA 4000):

BBNB's performance in helping to meet the credit needs of its assessment area within the Lancaster MSA is consistent with the bank's overall performance.

Description of Institution's Operations in MSA 4000

Full service banking is provided throughout this portion of the assessment area. Seven branch offices (54%) are located within this MSA. Each office offers a full range of loan and deposit services/products. BBNB's focus in this MSA is small business/farm lending and mortgage financing, which is consistent throughout the entire MSA.

Description of Lancaster MSA 4000

The portion of MSA 4000 included in BBNB's assessment area contains 70 CT's broken out as follows: 63 middle income tracts (90%) and 7 upper income tracts (10%). Based on 1990 census data, the portion of the MSA within the assessment area has a population of 337,625 which includes total families of 92,363. The median family income averages \$38,532. Housing units total 123,219 of which 83% are one-to-four family units. Owner occupied housing is 70% of the total, and rental occupied housing is 27% of the total. Vacant housing units equal 3% of the total units. The major employers in the MSA include Ford, Tyson Foods, Armstrong Industries, Pepperidge Farm, and High Industries, Inc.

Conclusions with Respect to Performance Tests

Lending Test

Lending Activity

Lending activity within MSA 4000 represents 75% of the total number and 72% of the total dollar amount of HMDA reported, small business, and small farm loan originations in the assessment area in 1996. For the first quarter of 1997, lending activity represents 75% of both the total number and total dollar amount of HMDA related loan originations within the assessment area. For January 1, 1997 to July 11, 1997, lending activity represents 71% of the total number and 61% of the total dollar amount of small business and small farm loan originations within the assessment area. Lending performance in this MSA is commensurate with the bank's overall performance.

Geographic Distribution of HMDA, Small Business, and Small Farm Loans

The geographic dispersion of HMDA loans throughout MSA 4000 is reasonable. The majority of penetration exists within middle income CT's. For 1995 through the first quarter of 1997, 97% of the total number of HMDA reported loans originated were in middle income CT's with the remaining 3% in upper income CT's. For 1996 through July 11, 1997, 94% of the total number of small business and small farm loans originated were in middle income CT's with the remaining 6% in upper income CT's. This

approximates the proportion of CT's within the MSA that are middle and upper income.

Borrower Characteristics

The bank's record of lending to borrowers of different income levels was evaluated using HMDA reported loans originated in 1995, 1996, and the first quarter of 1997. Our review of HMDA loans indicates that the bank has a reasonable record of lending to borrowers with different income levels in the MSA, and is presented within the table which follows.

Table VI. Lending to Borrowers of Different Income Levels in MSA 4000

HMDA Loans - 1995, 1996, and First Quarter 1997							
	1995		1996		1st Qtr 1997		
	#	%	#	%	#	%	Total Families
Low	9	4%	19	7%	6	6%	12%
Moderate	61	25%	49	17%	27	27%	19%
Middle	82	34%	101	35%	23	23%	30%
Upper	84	35%	116	40%	43	44%	39%
Income NA *	5	2%	3	1%	0	0	---
Total	241	100%	288	100%	99	100%	100%

* Income NA = Income not available for these loan originations.

A high percentage of commercial loans within the MSA are to small sized businesses and farms. Loan amounts are typically for less than \$100 thousand and to businesses and farms with annual gross revenues totaling \$1 million or less. In 1996, 78% of reported commercial loan originations to businesses and farms in this MSA were to entities with annual gross revenues totaling \$1 million or less. For January 1, 1997 to July 11, 1997, 88% of reported commercial loan originations to businesses and farms within this MSA were to entities with gross annual revenues totaling \$1 million or less. Based on activity through mid-July 1997, BBNB should well exceed 1996 business and farm loan originations in this MSA for 1997. The following tables provide a breakdown by original loan amount of business and farm loans originated in MSA 4000 during 1996 and from Jan.1, 1997 to July 11, 1997.

Table VII. Business and Farm Loans Originated in 1996 in MSA 4000

Original Loan Amounts	Business Loans	Farm Loans
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	#	\$(000's)	#	\$(000's)
Less than \$100,000	185	5,891	118	3,069
\$100,000 to \$250,000	23	4,185	9	1,574
\$250,000 to \$1,000,000	23	10,129	1	275
Total	231	20,205	128	4,918

Table VIII.

Business and Farm Loans Extended from Jan. 1, 1997 to July 11, 1997 in MSA 4000

Original Loan Amounts	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	137	4,471	97	1,837
\$100,000 to \$250,000	24	3,627	1	151
\$250,000 to \$1,000,000	19	10,470	4	1,895
Total	180	18,568	102	3,883

Community Development Lending

No loans have been originated in this MSA that qualify as community development. However, lending activity in conjunction with the RECDs and Fannie Mae's Community Home Buyer's Program is targeted to low and moderate income individuals and geographies. Lending activity under both programs is included within HMDA lending volumes discussed earlier in this evaluation.

Investment Test

The bank has a low level of qualified community development investments or grants within this MSA. Please refer to the overall assessment of the Investment Test for a description of an equity investment known as Tabor Place which was extended within this MSA.

Service Test

Retail Banking Services

Seven of BBNB's thirteen branch offices are located in this MSA. Six of the offices are located in middle income CT's and one office is located in an upper income CT. Offices are reasonably accessible to all parts of the MSA within the assessment area. Full

banking services are available at all locations. Office hours meet the convenience and needs of the community and include extended weekday and Saturday hours at all locations. Also, the opening of an additional branch within the past two years has improved the accessibility of service delivery systems to all segments of the MSA. Services do not vary in any way that would inconvenience low and moderate income individuals living within this MSA. Please refer to the overall assessment of the Service Test for further details.

Community Development Services

Senior management lends its financial expertise through its membership in BASE, Inc., which is located in Lancaster. In addition, BBNB has held an agriculture related seminar in February of the past fourteen years in this MSA. Please refer to the overall assessment of the Service Test for further details.

Conclusions with Respect to Performance in the Reading MSA (MSA 6860)

BBNB's performance in helping meet the credit needs of its assessment area within the Reading MSA is consistent with the bank's overall performance.

Description of Institution's Operations in MSA 6860

Full service banking is provided throughout this portion of BBNB's assessment area. Three branch offices (23%) are located within this MSA. Each office offers a full range of loan and deposit services/products. BBNB's focus in this MSA is small business/farm lending and mortgage financing, which is consistent throughout the entire MSA.

Description of Reading MSA 6860

The portion of MSA 6860 included in BBNB's assessment area contain 47 CT's broken out as follows: 41 middle income tracts (87%) and 6 upper income tracts (13%). Based on 1990 census data, the portion of the MSA within the assessment area has a population of 258,073 which includes total families of 72,686. The median family income averages \$39,100. Housing units total 100,185 of which 86% are one-to-four family units. Owner occupied housing is 77% of the total, and rental occupied housing is 20% of the total. Vacant housing units equal 3% of the total units. The major employers in the MSA include Reading Hospital & Medical Center, Carpenter Technology Corp., and East Penn Manufacturing Company, Inc.

Conclusions with Respect to Performance Tests

Lending Test

Lending Activity

Lending activity within MSA 6860 represents 13% of the total number and 17% of the

total dollar amount of HMDA reported, small business, and small farm loan originations within the assessment area in 1996. For the first quarter of 1997, lending activity represents 15% of the total number of HMDA reported loan originations and 16% of the total dollar amount originated within the assessment area. For January 1, 1997 to July 11, 1997, lending activity represents 19% of the total number and 31% of the total dollar amount of small business and small farm loan originations within the assessment area. Lending performance in this MSA is commensurate with the bank's overall performance.

Geographic Distribution of HMDA, Small Business, and Small Farm Loans

The geographic dispersion of HMDA loans throughout MSA 6860 is reasonable. The majority of penetration exists within middle income CT's. For 1995 through the first quarter of 1997, 88% of the total number of HMDA reported loans originated were in middle income CT's with the remaining 12% in upper income CT's. For 1996 through July 11, 1997, 87% of the total number of small business and small farm loans originated were in middle income CT's with the remaining 13% in upper income CT's. This approximates the proportion of CT's within the MSA that are middle and upper income.

Borrower Characteristics

The bank's record of lending to borrower's of different income levels was evaluated using HMDA reported loans originated in 1995, 1996, and the first quarter of 1997. Our review of HMDA loans indicates that the bank has a reasonable record of lending to borrowers with different income levels in the MSA, and is presented within the table which follows.

Table IX. Lending to Borrowers of Different Income Levels in MSA 6860

HMDA Loans - 1995, 1996, and First Quarter 1997							
	1995		1996		1st Qtr 1997		
	#	%	#	%	#	%	Total Families
Low	4	6%	3	5%	1	5%	12%
Moderate	11	17%	8	14%	2	10%	18%
Middle	17	26%	24	42%	8	40%	28%

Upper	34	51%	22	39%	9	45%	42%
Total	66	100%	57	100%	20	100%	100%

A high percentage of commercial loans within the MSA are to small sized businesses and farms. Loan amounts are typically less than \$100 thousand and to businesses and farms with annual gross revenues totaling \$1 million or less. In 1996, 61% of reported commercial loan originations to businesses and farms in this MSA were to entities with annual gross revenues totaling \$1 million or less. For January 1, 1997 to July 11, 1997, 79% of reported commercial loan originations to businesses and farms within this MSA were to entities with gross annual revenues totaling \$1 million or less. Based on activity through mid-July 1997, BBNB should well exceed 1996 business and farm loan originations in this MSA for 1997. The following tables provide a breakdown by original loan amount of business and farm originations in MSA 6860 for 1996 and from Jan. 1, 1997 to July 11, 1997.

Table X. Business and Farm Loans Originated in 1996 in MSA 6860

Original Loan Amounts	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	34	1,536	3	84
\$100,000 to \$250,000	10	1,825	0	0
\$250,000 to \$1,000,000	7	3,364	0	0
Total	51	6,725	3	84

Table XI.

Business and Farm Loans Extended from Jan. 1, 1997 to July 11, 1997 in MSA 6860

Original Loan Amounts	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	45	1,132	10	232
\$100,000 to \$250,000	8	1,540	0	0
\$250,000 to \$1,000,000	12	9,681	1	263
Total	65	12,353	11	495

Community Development Lending

No loans have been originated within this MSA that qualify as community development. However, lending activity in conjunction with the RECDs and Fannie Mae's Community Home Buyer's Program is targeted to low and moderate income individuals and geographies. Lending activity under both programs is included within HMDA lending volumes discussed earlier in this evaluation.

Investment Test

The bank has a low level of qualified community development investments or grants within this MSA. BBNB has contributed \$4,100 to NHS of Reading which is located within this MSA. Please refer to the overall assessment of the Investment Test for further details.

Service Test

Retail Banking Services

The opening of two additional branches over the past two years has improved the accessibility of service delivery systems within this MSA. Three of BBNB's thirteen branch offices are located in this MSA. Two of the offices are located in middle income CT's and one office is located in an upper income CT. Offices are reasonably accessible to all parts of the MSA within the assessment area. Full service banking services are available at all locations. Office hours meet the convenience and needs of the community and include extended weekday and Saturday hours at all locations. In addition, services do not vary in any way that would inconvenience low and moderate income individuals residing within this MSA. Please refer to the overall assessment of the Service Test for further details.

Community Development Services

Senior management lends its financial expertise through its involvement with NHS of Reading. Please refer to the overall assessment of the Service Test for further details.

Conclusions with Respect to Performance in the Philadelphia MSA (MSA 6160)

BBNB's performance in helping meet the credit needs of its assessment area within the Philadelphia MSA is consistent with the bank's overall performance.

Description of Institution's Operations in MSA 6160

Full service banking is provided throughout this portion of the assessment area. Three branch offices (23%) are located within this MSA. Each office offers a full range of loan

and deposit services/products. BBNB's focus in this MSA is small business/farm lending and mortgage financing, which is consistent throughout the entire MSA.

Description of Philadelphia MSA 6160

The portion of MSA 6160 included in BBNB's assessment area contains 33 CT's broken out as follows: 25 middle income tracts (76%) and 8 upper income tracts (24%). Based on 1990 census data, the portion of the MSA within the assessment area has a population of 100,891 which includes total families of 27,705. The median family income averages \$41,667. Housing units total 37,577 of which 83% are one-to-four family units. Owner occupied housing is 74% of the total, and rental occupied housing is 22% of the total. Vacant housing units equal 4% of total units. The major employers in the MSA include Lukens Inc., Brandywine Hospital, VA Medical Center, and Coatesville Area School District.

Conclusions with Respect to Performance Tests

Lending Test

Lending Activity

Lending activity within MSA 6160 represents 12% of the total number and 11% of the total dollar amount of HMDA reported, small business, and small farm loan originations within the assessment area in 1996. For the first quarter of 1997, lending activity within the MSA represents 10% of the total number of HMDA related loan originations and 9% of the total dollar amount originated within the assessment area. For January 1, 1997 through July 11, 1997, lending activity represents 10% of the total number and 8% of the total dollar amount of small business and small farm loans within the assessment area.

Geographic Distribution of HMDA, Small Business, and Small Farm Loans

The geographic dispersion of HMDA loans throughout MSA 6160 is reasonable. The majority of penetration exists within middle income CT's. For 1995 through the first quarter of 1997, 86% of the total number of HMDA reported loans originated were in middle income CT's with the remaining 14% in upper income CT's. For 1996 through July 11, 1997, 89% of the total number of small business and small farm loans originated were in middle income CT's with the remaining 11% in upper income CT's. This approximates the proportion of CT's within the MSA that are middle and upper income.

Borrower Characteristics

The bank's record of lending to borrowers of different income levels was evaluated using HMDA reported loans originated in 1995, 1996, and the first quarter of 1997. Our

review of HMDA loans indicates that the bank has a reasonable record of lending to borrowers with different income levels in the MSA, and is presented within the table which follows.

Table XII. Lending to Borrowers of Different Income Levels in MSA 6160

HMDA Loans - 1995, 1996, and First Quarter 1997							
	1995		1996		1st Qtr 1997		
	#	%	#	%	#	%	Total Families
Low	1	2%	2	4%	0	0	13%
Moderate	12	19%	18	32%	6	46%	19%
Middle	15	24%	21	37%	4	31%	26%
Upper	16	25%	15	27%	3	23%	42%
Income NA *	19	30%	0	0	0	0	---
Total	63	100%	56	100%	13	100%	100%

* Income NA = Income not available for these loan originations

A high percentage of commercial loans within the MSA are to small sized businesses and farms. Loan amounts are typically for less than \$100 thousand and to businesses and farms with annual gross revenues totaling \$1 million or less. In 1996, 78% of reported commercial loan originations to businesses and farms in this MSA were to entities with annual gross revenues totaling \$1 million or less. For January 1, 1997 to July 11, 1997, 97% of reported commercial loan originations to businesses and farms within this MSA were to entities with gross annual revenues totaling \$1 million or less. Based on activity through mid-July 1997, BBNB should well exceed 1996 business and farm loan originations in MSA 6160 for 1997. The following tables provide a breakdown by original loan amount of business and farm originations in the MSA for 1996 and Jan. 1, 1997 to July 11, 1997.

Table XIII. Business and Farm Loans Originated in 1996 in MSA 6160

Original Loan Amount	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	15	473	24	475
\$100,000 to \$250,000	3	398	0	0

\$250,000 to \$1,000,000	2	625	2	579
Total	20	1,496	26	1,054

Table XIV.

Business and Farm Loans Extended from Jan. 1, 1997 to July 11, 1997 in MSA 6160

Original Loan Amount	Business Loans		Farm Loans	
	#	\$(000's)	#	\$(000's)
Less than \$100,000	13	439	22	427
\$100,000 to \$250,000	1	200	2	450
\$250,000 to \$1,000,000	0	0	0	0
Total	14	639	24	877

Community Development Lending

No loans have been originated within this MSA that qualify as community development. However, lending activity in conjunction with the RECDs and Fannie Mae's Community Home Buyer's Program is targeted to low and moderate income individuals and geographies. Lending activity under both programs is included within HMDA lending volumes discussed earlier in this evaluation.

Investment Test

The bank has no qualified community development investments or grants within this MSA.

Service Test

Retail Banking Services

Three of BBNB's thirteen branch offices are located in this MSA, all within middle income CT's. BBNB formerly did not have any branches located within this MSA as each branch opened during the past two years. The opening of these branches has greatly improved the accessibility of service delivery systems within the MSA. Offices are reasonably accessible to all parts of the MSA within the assessment area. Full banking services are available at all locations. Office hours meet the convenience and needs of the community and include extended weekday and Saturday hours at all locations. Also, services do not vary in any way that would inconvenience low and moderate income individuals residing within this MSA. Please refer to the overall assessment of the Service Test for further details.

Community Development Services

The bank offers no community development services within this MSA.