



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

July 29, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southwest National Bank of Pennsylvania
Charter Number 5351
P.O. Box 760
111 South Main Street
Greensburg, PA, 15601-0760

Office of the Comptroller of the Currency
Corporate One Office Park, Building 2
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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.

BACKGROUND INFORMATION

Southwest Bank has assets totaling \$719MM and has 16 branches in the community. It is a full service commercial bank headquartered in Greensburg, PA. Southwest Bank is under the one bank holding company Southwest National Corporation. Lending is focused on meeting the retail credit needs of the community.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

The Board and all levels of management contact and maintain relationships with individuals and groups in the community. The results of ascertainment efforts by management are demonstrated by the many products and services management has developed to meet community credit needs. Management has determined the primary credit needs include mortgage lending and funds for community development and rehabilitation. In response, management has developed the Mortgage Assistance Program (MAP) in 1990, the First Time Home Buyer (FTHB) mortgage product in 1993 and special loan pools for community rehabilitation. Management regularly reviews products and demographics to determine and address current needs. Efforts to respond back to customers on specific needs is an ongoing practice of management. To date, management states that the bank has not been able to identify an unmet credit need in the community.

The officer call programs have demonstrated they are a very effective means of communicating with the community, resulting in the design of new products and services focused on community needs. Branch managers focus more on contacting small business customers, while the CRA Calling Officer meets with community organizations, government officials, politicians and non-profit groups. The CRA Calling Officer's contacts include local area community development directors and mayors, the executive director for the Westmoreland Economic Development Corporation, the president of the Chamber of Commerce for Allegheny County and Habitat for Humanity. Additionally, his contacts include individuals that represent low- to moderate-income areas, such as the Community Development Coordinator for Jeannette and the director for Latrobe Revitalization. As a result of such contacts, Southwest was instrumental in the development of the Latrobe Area Community Development Corporation (LACDC). (Refer to Performance Category V)

Bank Directors are also very involved with the community. They devote many hours to community human services, local area Chambers of Commerce, Advisory Boards and economic development corporations. Their feedback on community needs is a major part of the bank's ascertainment efforts. Members of senior management are also actively involved in the community. One of the bank's regional managers has been involved, since inception, with the implementation of the LACDC. He is on the Board of Directors of the CDC as Treasurer. He is also actively involved as a member of other community development corporations throughout Westmoreland County. Through active participation in the community all levels of management and the Board of Directors are able to contribute to the bank's ascertainment of community credit needs.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act (CRA).

The Board of Directors of Southwest Bank are very committed to CRA planning and performance. The CRA Policy and Mission Statement is reviewed and approved annually by the Board. The board established a Community Development Team (CDT) in 1989 to oversee the development, implementation, and maintenance of the bank's CRA program. This team is composed of senior officers from all major divisions in the bank. Under the CRA Policy Performance Program, the CRA Officer and CDT are held accountable and report to the board on their activities and resulting performance. The CDT performs a self-assessment of their CRA performance annually and have found their program effective in assessing community credit needs, while also discovering additional opportunities to meet with public groups.

The board sees CRA as part of its day-to-day activities and believes the success of the bank is directly tied to how well they meet the needs of the community. They have a proactive approach to determining and meeting community credit needs. Additionally, the board has approved an expanded CRA statement and has ensured annual CRA training for all bank personnel, as well as the directors.

The Board of Director's role in CRA planning and performance continues to be very effective as demonstrated by their active participation. They play an important role in the development of their community as both board members and local business people. During 1994 the bank asked Laurie Stern Singer to serve on the Board of Directors. She is President of the Allegheny Valley Chamber of Commerce and the Allegheny Valley Development Corp. She works at creating business opportunities and assisting developing businesses. She is very much aware of area problems, but also knows its potential. Ms. Singer is an example of the dedication and commitment the Board of Directors at Southwest Bank have towards the community. Other board members' involvement in the community is similar to Ms. Singer's. They seek opportunities for Southwest Bank to participate in activities which develop, improve, and enhance the local community. Another specific example of this is that one of Southwest's board members, William W. Thomson, is the secretary and director for the Latrobe Area Community Development Corporation.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

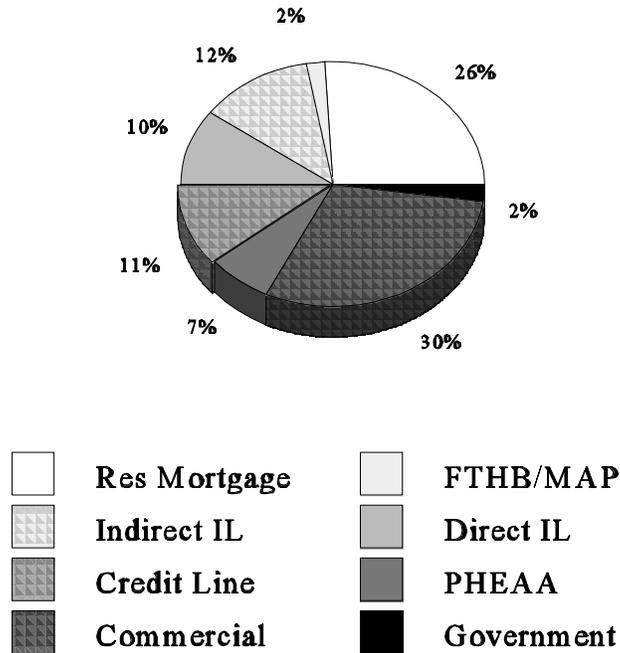
Southwest Bank's management has developed a strong marketing program that centers on making members of the community aware of the bank's credit products. Management has developed advertisements and other promotions as part of the CRA Focused Marketing Program. Annually, management reviews the effectiveness of the marketing program as part of the CDT self-assessment. The CDT looks at penetration levels and level of marketing to low- to moderate-income areas.

As part of the marketing program, management advertises extensively through newspapers, radio, direct mail, brochures, newsletters and posters. Management targets advertising to different segments through the use of multiple daily and weekly regional publications. These publications include newspapers in low- to moderate-income census tracts and periodicals for small businesses. Additionally, management issues a quarterly newsletter to all customers of the bank. The newsletter frequently contains informational articles on obtaining both mortgage and instalment credit, with special features on their MAP and FTHB programs. The MAP and FTHB programs provide assistance to individuals in certain income brackets and offer reduced closing costs and down payments. Branch managers meet regularly with area realtors and developers to promote the MAP and FTHB programs. Management sends direct mail on special credit promotions to areas within three to five miles of each branch, of which several are in low- to moderate-income census tracts. On an annual basis, management sends informational brochures on obtaining instalment credit to all households in low- to moderate-income census tracts.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business and small farm loans within its community; or the purchase of such loans originated in its community.

Southwest Bank has a sound record of extending credit to their community. With management emphasis on meeting credit needs, the ratio of loans-to-deposits has steadily increased from 54% at year end 1992 to 69% at year end 1995. A significant portion of the loans at Southwest Bank are within their delineated community. In 1995, 82% of the mortgage and instalment loan origination dollars were within the delineated community. In total, 79% of the mortgage and instalment loan portfolio is within the delineated community. Southwest Bank has focused on community credit needs by extending mortgage, instalment and commercial loans within their delineated community.

Loan Distribution



Southwest's record of originating loans for home mortgage has been strong and increasing, with the number of both applications and originations increasing 15% in 1995.

HOME MORTGAGES	1994		1995	
	#	\$ (000s)	#	\$ (000s)
Applications	590	\$26,052	678	\$27,421
Originations	504	\$21,894	582	\$23,467

Management has had significant, positive response to both of their special mortgage programs, as well. Through the first quarter of 1996, Southwest has extended 199 loans totaling \$6.1MM under MAP and 55 loans totaling \$3.6MM under FTHB. Extensions of credit under these programs have been steady since inception. Southwest's record of extending credit to small businesses is strong, as well, with all but twenty of the loans in the commercial portfolio to small businesses (loans less than \$1 million). The average loan size in the commercial portfolio is \$419,000.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed, or subsidized loan programs for housing, small business or small farms.

Southwest Bank extensively participates in government sponsored loan programs for housing and small business development. Management have been leaders in meeting credit needs in their community through eight different government sponsored loan programs. Involvement in such programs constitutes 2% of all lending at Southwest Bank. Following are five of the programs that Southwest Bank has substantially participated in with outstandings as of March 31, 1996:

GOVERNMENT-SPONSORED PROGRAMS	DESCRIPTION	#	\$
Industrial Development Authority	Federal guarantee on commercial development credit	10	654,298
Small Business Administration	Federal guarantee on 90% of credit	9	1,571,128
Westmoreland Economic Development Corporation	County sponsored credit for development	4	243,421
PA Economic Development Finance Authority	State bond issue backed line of credit	5	5,144,384
PA Linked Deposits	State CD backed credit with lower rate to borrower	4	1,002,648
TOTAL		32	8,615,879

The level of bank participation in government loans has been increasing significantly. Since one year prior at March 31, 1995, management has increased their total number of SBA and WEDC loans by four and two, respectively.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Southwest Bank’s delineated community meets the purpose of the CRA. The delineated community encompasses central Westmoreland County, the southeast tip of Allegheny county and one census tract in southwest Butler county. Management has expanded the delineated community slightly since our 1992/93 CRA exam. They have added four census tracts along the southeast edge of Westmoreland County and one census tract (in Butler) on the northwest edge of their delineated community. These additions are consistent with the natural growth of their market area.

The delineated community does not specifically exclude low- or moderate-income neighborhoods. The delineated community includes 52 whole census tracts of which eight are low- or moderate-income tracts. In those census tracts that management has not included in their delineated community, they had three or less mortgage loan applications in 1995, representing a minor portion of their total lending activity (total 678). With approximately 82% of the mortgage loan applications received from within the delineated community in 1995, the delineated community is appropriate. Additionally, the board and management review and update the delineated community annually as they are revising the CRA Statement.

Assessment Factor E - The geographic distribution of the institution’s credit extensions, credit applications, and credit denials.

The geographic distribution of Southwest Bank’s loans and deposits represents a reasonable penetration into all segments of the community. Southwest Bank has established both loan and deposit relationships in every census tract within their community, and in particular low- and moderate-income census tracts:

OUTSTANDING G AT 12/31/95	LOANS				DEPOSITS			
	Households		\$ (in MM\$)		Households		\$ (in MM\$)	
Low/Moderate	1,502	8%	\$18	7%	3,645	11%	\$50	13%
Middle/Upper	12,350	69%	\$21 2	75%	25,787	74%	\$28 6	76%
Non-Delineated	4,003	23%	\$52	18%	5,175	15%	\$39	11%
TOTAL	17,854	100%	\$28 2	100 %	34,607	100 %	\$37 5	100%

Within the delineated community, the ratio of deposit to loan households for low- and moderate income census tracts of 2.4 is comparable to the ratio for middle- and upper-income census tracts of 2.1.

Southwest Bank approved 87% of the mortgage loan applications received in 1995. (Refer to Performance Category II) Within their delineated community, Southwest Bank received 11% of these applications from households in low- to moderate-income census tracts. This is consistent with the population distribution with 12% of the households in low- to moderate-income census tracts.

1995 HOME MORTGAGES	APPLICATIONS	ORIGINATIONS
Low/Moderate	73	56
Middle/Upper	587	512
Income not specified	18	14
Total	678	582

In 1995, the denial rate for home mortgage loan applications from low- to moderate-income census tracts was 14%, while the denial rate for middle- and upper-income census tracts was 7%. Although the denial rate is higher for low- to moderate-income census tracts, the actual number of applications denied was 10. All of these denials were reviewed by management before the loan officer issued the final denial decision. In an effort to approve as many credit applications as possible, management has instituted this second review process for all application denials. This is part of their ongoing practice of analyzing and determining the distribution of credit.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Southwest Bank's branches are primarily located in central Westmoreland County and northeast Allegheny County. The branches are readily accessible to all segments of Southwest Bank's delineated community. In particular, three of the bank's sixteen branches are located in low- to moderate-income census tracts. Additionally, the bank offers extended Friday and Saturday branch hours to accommodate the banking needs of their community.

Fifteen of the bank's sixteen branches are full-service offices, with all loan and deposit services available. Management regularly evaluates the services offered at their branches. Additionally, they have developed procedures in the event of a branch closing to ensure that continued banking services are available in such an event. Management has not closed any

branches in the past three years.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Southwest Bank affirmatively solicits credit applications from all segments of the local community. Bank personnel regularly meet with groups and individuals in low- to moderate-income areas to discuss bank products and services. Additionally, management has instituted mail marketing programs directed to low- and moderate-income areas. Management has developed several mortgage loan products targeted to low- or moderate-income individuals. The emphasis of the First Time Home Buyers and Mortgage Assistance Programs is on receiving and approving credit applications from low- and moderate-income individuals.

The board and management have developed comprehensive policies, procedures, and training programs to assure compliance with fair lending regulations. All lending personnel are regularly trained on the requirements of the policies and procedures. Management performs internal reviews for compliance with the technical documentation requirements in the policies and procedures. Management performs comparison tests on applications to verify that the action taken was appropriate and consistent.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Southwest Bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, and the Home Mortgage Disclosure Act.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Southwest Bank has maintained a high level of participation in development and redevelopment projects in the community. Constant efforts are made by all levels of management in order to take part in as many projects as possible. Southwest Bank wants to be known as a community bank that can be approached for any type of credit need. By establishing community contacts throughout their service areas, management is fully aware of community development projects.

There have been several instances where Southwest has taken the initiative and has been the leader in many of these programs or projects. The following are examples of Southwest's involvement in community development and redevelopment projects:

- The Latrobe Area Community Development Corporation (LACDC)
Southwest was instrumental in the formation of this CDC several years ago. They have made a \$100,00 equity commitment to assist in developments projects. In particular, this equity commitment along with Southwest's planned participation in a \$750,000 loan will be used to construct a 20,000 square foot retail office and recreational center in downtown Latrobe. Two bank representatives (the CRA Officer and a Director) actively participate as officers and directors of the LACDC.
- The Duff School Project
In a joint venture with the Westmoreland County Redevelopment Authority in 1995, Southwest Bank acquired a 75% ownership of a limited partnership for the purpose of converting the vacant Duff School property in Export into a low income, senior citizen housing facility. Today the completed facility includes 16 one-bedroom and 8 two-bedroom units, which were rented to individuals with income levels at or below 50% of the median income for Westmoreland County.
- Jeannette City Family Housing Project
In 1996, Southwest Bank has been actively working with the Westmoreland County Redevelopment Authority, again, to be the sole participant in a community development project. This project, which is in its early stages, will consist of an eight unit family housing development in the city of Jeannette. This unit will be for families whose income levels are at or below 50% of the median income for Westmoreland County. Southwest plans extend a \$225,000 bridge and \$502,700 in permanent financing to the project.

Southwest Bank has invested in local area municipal bonds. The bank's par value of qualified investments is approximately \$3.8MM.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Southwest Bank's primary market is the area within a 35-mile radius of its headquarters, covering most of central Westmoreland County. Westmoreland County is experiencing the fastest economic growth in the Pittsburgh region. This growth has been supported by the movement of many small, niche manufacturers into the lower cost areas of the county.

Southwest Bank is able to use its size and financial capacity and is not limited by legal impediments or other factors in meeting the credit needs of its market area. Southwest Bank's legal lending limit is \$12 million and its loan-to-deposit ratio is 71% as of March 31, 1996.

Southwest Bank has remained a market leader with 12% of deposits in Westmoreland County despite heavy competition from Pittsburgh regional banks.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

None.

ADDITIONAL INFORMATION

None.