



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

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Community Reinvestment Act

Performance Evaluation

Quakertown National Bank
Charter Number: 2366

3rd & West Broad Streets
Quakertown, Pa. 18951-9005

Office of the Comptroller of the Currency

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

<u>OVERALL CRA RATING</u>	1
<u>DEFINITIONS AND COMMON ABBREVIATIONS</u>	2
<u>DESCRIPTION OF INSTITUTION</u>	5
<u>SCOPE OF THE EVALUATION</u>	5
<u>FAIR LENDING REVIEW</u>	7
<u>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS</u>	7
<u>LENDING TEST</u>	7
<u>INVESTMENT TEST</u>	12
<u>SERVICE TEST</u>	12
<u>APPENDIX A: SCOPE OF EXAMINATION</u>	A-1
<u>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS</u>	B-1
<u>APPENDIX C: TABLES OF PERFORMANCE DATA</u>	C-1

Overall CRA Rating

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

The following table indicates the performance level of **Quakertown National Bank** with respect to the Lending, Investment, and Service Tests:

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

- There is an excellent level of lending penetration to borrowers of different income levels, including low- and moderate-income borrowers.
- Lending levels to small businesses are adequate.
- A high percentage of loans are made within the assessment area.
- The bank's flexible lending products had a positive impact on the lending test portion of this examination.
- Service delivery systems are reasonably accessible to the entire assessment area, including low- and moderate-income families residing within the assessment area.
- There is a good level of qualified investments, grants, and donations.
- There is an excellent level of community development loans, which had a positive impact on the lending test portion of this examination.
- The bank provides an adequate level of community development services.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

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

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in-group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

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

Metropolitan Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

Quakertown National Bank (QNB) is a \$451 million bank that received its national charter in 1878. QNB is a wholly owned subsidiary of Quakertown National Bank Corp., which is headquartered in Quakertown, Pa. There are no operating subsidiaries of the bank. Additionally, there are no financial or legal impediments impacting QNB's ability to help meet its community credit needs. QNB has not merged with or acquired any financial institution since the prior examination. QNB's last Public Evaluation (PE) was dated December 21, 1998, at which time the overall rating was Satisfactory.

The bank is an intrastate community bank that services Upper Bucks County and Northern Montgomery County, along with small portions of Lehigh County and Southeastern Berks County. All of the serviced counties are located in the Commonwealth of Pennsylvania. The bank delivers these services through seven full service branches and nine Automated Teller Machines (ATMs). ATMs are located in the branches. Two of the branches have two ATMs. The bank opened a new full service branch on January 8, 2001 located at 750 Souderton Road, Souderton, Pa. The bank did not close any branches since the last examination. All of the bank's branches are located in middle-income CTs.

As of December 31, 2001 net loans represented 45% of the total assets of the bank. This is a slight decrease of 49% from the prior year. The net loan to total asset ratio has shown a consistent decline since 1997 when it was 54%. The reason for this declining ratio is that since December 31, 1997 investments have been increasing at 17% annually, while loans are only increasing annually at 5%. The loan portfolio is primarily centered in commercial and residential real estate mortgages, which account for 77% of the portfolio. Residential real estate mortgages account for 39% of the entire loan portfolio. The bank sells off approximately 90% of its mortgage originations to Freddie-Mac annually. In 2001 the bank sold \$15.6 million of these mortgage loans in the secondary market. Commercial and Industrial lending is 20% of the loan portfolio, while consumer loans account for only 4%. Tier-1 capital for the institution is \$31 million. The bank's primary strategy is to make loans within its designated trade area. The bank is in a highly competitive marketplace for both commercial and consumer lending. The bank's competition is in the form of large regional banks, large non-regional banks, non-banks and local community banks.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The analysis is based on the bank's Home Mortgage Disclosure Act-Loan Activity Reports (HMDA-LAR) and Loan Registers. We tested these reports for accuracy during the examination. Specific loan products evaluated include: HMDA-reportable loans (i.e. home purchase mortgage, refinance of residential mortgage loans, and home improvement loans), loans to small businesses, loans to small farms, and community development loans. Consumer loans were also included in this evaluation at the bank's request. The period for these loans was January 1, 1999 to December 31, 2001. The evaluation period for these HMDA loans is from January 1, 1999 to December 31, 2001. We also evaluated community development investments, retail services, and community development services. The

evaluation period for these loans and services is from December 21, 1998 to February 25, 2002.

Data Integrity

During February 2002, QNB's publicly filed information on home mortgage and small business loans to both businesses and farms was tested for accuracy. Results of this testing evidenced the data is sufficiently accurate for purposes of this CRA review. Investments, community development loans, and services submitted by management were also verified to ensure that they meet the regulatory definition for community development.

Selection of Areas for Full-Scope Review

We conducted a full-scope review of the bank's AA. Please refer to Appendix B for additional information regarding the market profile of the AA. The bank now operates seven (7) full service offices throughout its AA. The AA consists of 63 contiguous census tracts (CTs) that are primarily comprised of Upper Bucks and Northern Montgomery counties in MSA 6160. It also comprises small portions of Lehigh County (MSA 0240) and Berks County (MSA 6680). Fifty-seven (57), or 90%, of the sixty-three (63) total CTs are located in MSA 6160. Five CTs, or 8%, are in MSA 0240, and one CT, or 2%, is in MSA 6680. Forty-nine CTs (78%) are designated as middle-income and the remaining fourteen CTs (22%) are upper-income. There are no low- and moderate-income tracts in the bank's AA.

Ratings

Home mortgage products received more weight in determining the Lending Test rating since Quakertown National Bank originated more mortgage loan products, than small business and farm loans combined during the evaluation period. Additionally, community development lending received positive consideration in arriving at the lending test rating.

We also reviewed the bank's activity in consumer lending. Despite the smaller percentage of loans in this portfolio, the bank requested we consider consumer lending because of their strong performance in distributing loans to low- and moderate-income borrowers.

Other

Two community contacts were made during this examination. A discussion was held with the executive director of the Bucks County Housing Development Corp. The mission of this group is to provide housing for low- and moderate-income families in the Upper Bucks County region. A discussion was also held with the director of Better Homes of Bucks County (BHBC). This organization also provides low-income housing throughout Bucks County. Both individuals indicated a need for financing of low- and moderate-income housing. Both individuals also indicated their organization could initiate more projects if the financing were available. The director of BHBC indicated that housing grants were harder to obtain, because Bucks County is now in the same bidding pool as the City of Philadelphia, and as a result there is less money available for Bucks County. Thus, according to this individual there is more need for Community Development investments and loan financing in Bucks County.

Fair Lending Review

An analysis of recent HMDA loans, small loans to businesses and farms, public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on our analysis of the information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with the CRA evaluation this year.

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 **Outstanding**. Based on full-scope reviews, the bank's performance in its AA is excellent.

Lending Activity

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

QNB's lending activity is good. Approximately 62% of the loans originated during the evaluation period were home mortgage loans, 38% were loans to small businesses, and less than 1% were small loans to farms.

Of the total home mortgage loan originations (both sold and retained), approximately 7% were for home purchases, 37% for home improvement, and 56% for refinance.

The loan to deposit ratio as of December 31, 2001 was 58%. This is a decline from 62% at the prior year-end. The decline is a result of loan demand not keeping pace with faster than normal deposit growth. Annual deposit growth as of year-end 2001 was 17%, while loan growth was only 9%. In the prior three-year period average deposit growth was 3% compared to average loan growth of 2%.

Quakertown National Bank ranks 5th in deposits with an overall market share of 8%. The bank had seven branches when this information was compiled.

The bank ranks 8th with an overall 3% market share of originated residential mortgages. The results are marginally stronger when analyzing low-income applicants. The bank ranks 5th with a market share of 5% of low-income applicants and ranks 9th with a 3% market share of moderate-income applicants. Competition in the overall originated mortgage market and moderate-income applicants is keen. Large non-regional bank mortgage companies control this segment of the mortgage market. However, QNB's range of market share in these areas is similar to that of other local community banks. QNB has a relatively strong market share in the low-income applicant category, is strongly competitive with its community bank peers, and exceeds the large, non-regional bank mortgage companies.

QNB ranks 16th for loans to small businesses, and has an overall market share of 1%. Large non-deposit seeking institutions control 61% of this market, and competition is keen.

Small loans to farms are not a business line for the bank. An analysis of the one loan originated during the evaluation period would not be meaningful.

Overall performance of the bank is considered good, given the depth of the large non-regional and non-bank institutions competing for mortgage and small business loans. QNB, however, maintains a strong market share of low-income mortgage applicants.

Distribution of Loans by Income Level of the Geography

There are no low- or moderate-income CTs in the bank's AA. Therefore, an in-depth analysis of the Distribution of Loans by Income Level of the Geography would not be meaningful.

Lending Gap Analysis

Our review of geographic distribution of loans did not detect any conspicuous or unexplained gaps in lending patterns.

Inside / Outside Ratio

A substantial amount of the home mortgage loans and small loans to businesses originated by the bank during the evaluation period were within its AA. The percentage of home mortgage loans originated within the AA is 90% by number and 86% by volume. The percentage of small loans to businesses originated within the AA is 85% by number and 77% by volume.

Distribution of Loans by Income Level of the Borrower

The distribution of loans by income level of borrower is excellent, especially considering the lack of affordable homes for low-income individuals who live in an AA that does not have any low- and moderate-income CTs. The median cost of housing is \$139 thousand, while the weighted average of updated median family income is \$59 thousand. Thus, it would be difficult for a low-income family to purchase a home in this AA who has an average annual income of less than \$30 thousand. Four percent of the households in the AA live below the poverty level, and it is difficult to get a meaningful loan penetration into such a small segment. In addition the opportunities for low-income borrowers are limited based on the affordability of housing in the AA. Likewise the opportunity for home improvement and home refinance loans to low-income borrowers are limited based on the affordability of housing in the AA. The availability of affordable homes in this AA for low-income-families is extremely limited. The shortage of affordable homes in the AA to low-income families is evidenced by the fact that 79%, or 49,183 of 62,258 housing units in the AA are valued over \$100 thousand.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution of home purchase loan originations is considered excellent, when considering the affordability of housing for a low-income person as discussed above. The percentage of bank loans, 7%, was below the percentage, 11%, families that are low income. The bank has an overall market share of .5% in home purchase loans, and no market share in the low-income category. This is driven by the lack of affordable housing to low-income families. The bank did an excellent job in addressing the moderate-income segment of borrowers where 19% of bank loans exceeded the AA's percentage, or 17%, of moderate-income households. The bank had a .5% market share of moderate-income borrowers, which is equal to the bank's overall market share.

Borrower distribution of home improvement loan originations is excellent when considering the opportunities for home improvement loans to low-income borrowers are limited based on the affordability of housing in the AA as discussed above. The bank's 11% percent of loans to low-income borrowers is near the percentage of low-income families. Likewise, the 19% of bank loans made to moderate-income borrowers exceeds the 17% of moderate-income families. The bank's market share to low-income borrowers, 12%, exceeds their overall market share of 8%, while the market share to moderate-income borrowers, 8% is near to their overall market share.

Distribution of home mortgage refinance loans is excellent when considering that opportunities for home refinance loans to low-income borrowers are limited based on the affordability of housing in the AA, as discussed above.

The percent of bank loans to low-income borrowers is 6%, somewhat lower than 11% of the families that are low-income. However, the bank maintains a 7% share of the market to low-income borrowers, which exceeds the overall market share of 5%. The percentage of bank loans to moderate-income borrowers, 17%, almost equals the percentage of moderate-income families. Both the market share of 7% for low-income families and 5% for moderate-income families exceeds the bank's overall market share of 5%.

Overall, the bank's performance in mortgage lending to low- and moderate-income groups is excellent based on the borrower distribution and mitigating factors. QNB is ranked 8th in this type of lending with a market share of 3%. It is ranked 5th in lending to low-income applicants with a market share of 5%, and ranked 9th to moderate-income applicants with a market share of 3%.

Small Loans to Businesses

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses is excellent. The percentage of small loans to businesses with revenues of \$1 million or less (small business) is lower than the percentage of small businesses in the AA. However, the market share of loans to businesses with revenues of \$1 million or less, .9%, exceeds the bank's market share for all loans to businesses, which is .5%. Additionally, the majority of loans, 72%, were in amounts of \$100 thousand or less, but lower than the percentage of small businesses in the AA, which was 85%. In addition the bank made twenty small business loans that were secured by real estate

totaling \$1.5 million. We previously mentioned the strong competition and large market share, which was held by the non-deposit seeking non-banks and commercial finance companies.

This competition strongly mitigates the banks performance with small business loans.

Small Loans to Farms

Refer to Table 12 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

As noted earlier, small loans to farms is not a business line for the bank. In turn, an analysis of the one loan originated during the evaluation period would not be meaningful.

Consumer Loans

Refer to Table 13 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

Borrower distribution of consumer loans is excellent. The percentage of bank loans, 28%, exceeds the percentage of low-income households of 14%. Likewise, the percentage of bank loans to moderate-income borrowers, 24%, exceeds the percentage of moderate-income households, 15%.

In summary, the bank has an excellent distribution of consumer loans to low- and moderate-income borrowers.

Community Development Lending

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community development lending has a positive impact on the Lending Test, and is considered excellent. In October 2001 the bank made a \$2.5 million commitment to this initiative by the closing of one of the first low-income tract development loans in the nation. This is an innovative product that meets the identified needs in the community for low-and moderate-income housing. The loan funded the acquisition, site development and construction of thirty-seven townhouse units. At the same time it is placing these low-income homes in the same development as market-rate buyers. The low-income buyer is motivated by social, economic, and educational incentives. These houses were designed for sale as affordable housing, and targeted to low- and moderate-income families. The borrower is a non-profit organization whose mission is to eliminate substandard housing in Bucks County by constructing affordable housing for low-income families. The organization has a successful history of house construction since June 1994. The borrower requires that families contribute 500 hours of "sweat equity" into their homes as well as other projects.

The bank has an ongoing commitment to fund loans for low- and moderate-income housing to an eleven-member-bank consortium. The group has \$3.9 million of outstanding loans of which QNB's share is \$250 thousand, or 6%. All of the banks are community banks with

headquarters in Bucks and Montgomery Counties. The consortium is a non-profit multi-bank organization dedicated to community revitalization. It is directly involved in the financing of, and investment in, housing and redevelopment activities designed to address the needs of low- and moderate-income people throughout Bucks and Montgomery Counties. The organization provides low-interest financing to community-based organizations and developers for the rehabilitation and construction of affordable housing to low- and moderate-income families.

The bank also has an ongoing commitment to an Upper Bucks County micro-loan fund. The Fund was initiated as a result of a partnership among the Upper Bucks Chamber of Commerce, Quakertown Alive!, six area financial institutions, and Partners for Small Business Development, Inc. The purpose of the fund is to address the business development and capital needs of start-up or existing business located in Upper Bucks County. The total loan pool for the Upper Bucks Micro Loan Fund is \$300,000 a year. QNB commits 1/6th, or \$50 thousand, a year. The bank has provided \$45 thousand for twelve loans as of 2/19/02. The bank also pays a yearly \$2,500 loan-servicing fee to the Partnership.

Product Innovation and Flexibility

Product innovation and flexibility has a positive impact on the Lending Test conclusion. QNB offers the following products designed to increase the availability and affordability of housing for low- and moderate-income borrowers. The bank is also flexible in the designing of the products. Previously the bank offered a program for first time homebuyers. The bank discovered that many of the low- and moderate-income borrowers could not afford the closing costs, points, & PMI associated with the product. Thus they instituted the 7-1-1 Mortgage Plan that reduces closing costs, waived title insurance, and according to the bank requires less cash from the borrower at closing.

The bank offers a flexible residential mortgage product known as the 7-1-1 Mortgage. The benefits of the product are as follows:

- It provides a competitive fixed rate for the first seven-years, afterward it becomes a one year adjustable rate.
- Maximum LTV is 95%, which allows minimum down payment.
- The loan provides a 30-year amortization term, which allows for lower monthly installments.
- The bank reduces its closing costs by waiving title insurance in certain instances, and reduces charges the customer pays the bank.
- The bank relaxes its underwriting criteria.

In the year 2000 the bank closed 17 of these loans in the amount of \$1.8 million, and in 2001 the bank closed 22 of these loans for a total of \$3.5 million.

The bank also offers a Home Equity product, which allows homeowners the ability to use up to 100% of the equity in their homes. Private Mortgage Insurance is required for loans that exceed 90% Loan to Value. The bank closed 62 loans in 1999 for a total of \$1.2 million, 59 in 2000 for a total of \$1.1 million and 49 in 2001 for a total of \$804 thousand.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated **High Satisfactory**. Based on a full-scope review, the bank's performance in the AA is good.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

We determined through our community contact and internal research, that investment opportunities exist. While bank management indicated that investment opportunities exist, they stated they are not overly prevalent within QNBs AA. Other community banks in QNBs trade area have had somewhat more success in seeking out and funding community development opportunities. Typical opportunities include equity investments in low-income housing projects and small business investment corporations.

On Dec. 6, 1995 the bank entered into an equity investment as part of a three-bank consortium to the BCHDA (Bucks County Housing Development Authority). The amount of the equity investment was \$200 thousand. The project took over \$2 million to convert a former library into fifteen apartments, which are rented to senior citizens who meet the HUD low-income guidelines. Since the project was funded by equity investments and other contributions, there are no debt service requirements, thus costs to the tenants can be kept reasonable. As of the examination, the bank's investment was \$121 thousand. This investment continues to provide affordable housing for low-and moderate-income families.

On July 24, 2000, the bank purchased a 30-year GNMA class II mortgage security bond. The present principal on the bond is \$1,148M and is backed by low-income housing mortgages located in the Philadelphia and Bucks County area, including a portion of the bank's AA.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated **Low Satisfactory**. Based on full-scope reviews, the bank's performance in its AA is adequate.

Retail Banking Services

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Retail Services are reasonably accessible to individuals of different income levels in the AA. Due to the rural nature of the AA only a few branches are accessible via public transportation.

All seven branches are equipped with ATMs. In addition, two branches have ATMs located inside the branch. Evening hours are provided at all locations at least one evening per week, and Saturday morning hours are also offered at a majority of the locations. Services do not vary in any way that inconvenience low- and moderate-income individuals living in the AA. All the branches offer a full line of traditional banking products including a totally free checking account, which is void of all monthly activity charges, and check printing charges.

QNB has not closed any offices since the previous evaluation. One branch was opened in January 2001.

Community Development Services

Community development services are adequate, based on what are considered ample opportunities for such services within the AA. The bank has not taken a leadership role in the identifying or development of these services, however, several employees, in their capacity as bank officers, participate and lend expertise to community development services as described below.

- Upper Bucks County Micro Loan Fund: SVP of Commercial Lending is a member of the loan committee that administers this fund.
- Community Lenders CDC: An executive officer of QNB is on the Board of Directors of this organization. Also, the senior loan officer is a member of the loan committee for this CDC.
- Quakertown Alive: The senior loan officer is a director of this downtown revitalization organization, which helps small businesses.
- Upper Bucks County Chamber of Commerce Small Business Counseling Panel: Commercial lenders participate on this panel, which provides guidance for small businesses.
- UBYMCA: Provides services at low to no cost to low- and moderate-income families; 40% of the families in child-care receive scholarships. The bank provides strong support to UBYMCA through contributions and employee time. The bank's EVP/COO is the president of the UBYMCA's Capital Campaign. The bank's EVP/COO, CEO, and SVP of Trust & Investments are also board members.
- Upper Bucks Chamber: Provides services to small businesses; SVP of Commercial Lending is Director and also chairs a committee.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): (01-01-1999 to 12-31-2001) Investment and Service Tests and CD Loans: (12-21-1998 to 02-25-2002)	
Financial Institution	Products Reviewed	
Quakertown National Bank Quakertown, Penna.	HMDA Reportable Loans Small Business Loans Small Farm Loans Consumer Loans CD Loans CD Products and Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Quakertown National Bank Corp. (QNBC)	QNB is a wholly owned subsidiary of QNBC.	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
MSA 6160 (Portions of Bucks and Montgomery County, Pa. MSA 0240 (Portion of Lehigh County, Pa. MSA 6680 (Portion of Berks County, Pa.)	Full Scope On-Site	None

Appendix B: Market Profiles for Full-Scope Areas

Table of Contents

Market Profiles for Areas Receiving Full-Scope Reviews

Pennsylvania MSA 6160.....	B-2
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Pennsylvania MSA #6160

Demographic Information for Full-Scope Area: Pennsylvania, MSA #6160						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	63	0%	0%	77.78	22.22	0%
Population by Geography	224,317	0%	0%	74.79	25.21	0%
Owner-Occupied Housing by Geography	62,126	0%	0%	73.28	26.72	0%
Businesses by Geography	11,258	0%	0%	76.30	23.70	0%
Farms by Geography	674	0%	0%	73.89	26.11	0%
Family Distribution by Income Level	62,258	11.14	17.40	28.63	42.83	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	17,766	0%	0%	80.22	19.78	0%
Median Family Income	41,494	Median Housing Value		=	139,215	
HUD Adjusted Median Family Income for 2001	59,319	Unemployment Rate		=	1.79%	
Households below Poverty Level	3.91%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 1990 U.S. Census, and 2001 HUD updated MFI.

QNB's AA includes Upper Bucks and Montgomery Counties, and small sections of Berks and Lehigh Counties. QNB operates in a three MSA AA consisting of 63 contiguous CTs in southeastern Pennsylvania. Within its AA, QNB is ranked 5th for market share of deposits and has 8% of total deposits. QNB operates seven full service branches, all of which are supported by ATMs and drive-in facilities. Two branches are equipped with inside ATMs. Banking competition is heavy for both loans and deposits in the AA. Competition for deposits comes mainly from other community banks. Competition for loans and mortgages is in the form of other community banks, large regional banks, large non-regional banks, and large non-banks. Major competitors in the AA are: Union National Bank & Trust Company ranked # 1 in deposits with a market share of 19% and operating from 18 branches. Harleysville National Bank & Trust Company is ranked #2 in deposits with a market share of 11%, and operating 9 branches. Major competitors in the small business loan market are GE Capital ranked # 1 with a market share of 24%, American Express ranked # 2 with a market share of 21%, and Capital One ranked # 3 with a market share of 9%. Major participants in the residential mortgage market are First Union ranked # 1 with a market share of 5%, Chase ranked # 2 with a market share of 5%, and community bank Harleysville National Bank and Trust Company ranked # 3 with a market share of 4%.

The bank offers a traditional line of banking products for both loans and deposits. Economic conditions within the bank's market area are considered stable, and unemployment rates within the AA remain below state and national averages. Major employers are municipal governments, school districts, universities, hospitals and health care related organizations.

We determined through our community contact and our internal research that opportunities for community development lending, investments, and services exist within the AA and are available if sought after.

During our examination, we contacted two community groups. Our contacts were government entities, responsible for economic development and affordable housing programs. Our discussion occurred via the telephone and provided us with detailed and informative data regarding credit needs of the community, as well as general information regarding housing. During the discussion, we verified that there is a definite lack of homes available in the lower price ranges making home ownership difficult for low- and moderate-income individuals. Further, primary credit needs center around providing low- and moderate-income individuals with affordable mortgages, and the funding of low- and moderate-income rental units.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Institution ID: 1000002366 **THE QUAKERTOWN NATIONAL BANK**

Table 1. Lending Volume

LENDING VOLUME		Geography: QUAKERTOWN NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001						
MA/Assessment Area (2001):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:												
Quakertown NB 2002 AA	100.00	1,301	72,273	789	85,691	1	150	3	2,795	2,094	160,909	100.00

* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From January 01, 1999 to December 31, 2001.

*** Deposit Data as of December 31, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: 10000002366 **THE QUAKERTOWN NATIONAL BANK**

Table 1. Other Products

LENDING VOLUME		Geography: QUAKERTOWN NB						Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001						
MA/Assessment Area (2001):	% of Rated Area Loans (#) in MA/AA*	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:														
Quakertown NB 2002 AA	100.00	1,163	21,491	20	1,497	362	9,661	651	5,755	0	0	130	4,578	100.00

* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Optional Product Line(s) is From January 01, 1999 to December 31, 2001.

*** Deposit Data as of December 31, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: 10000002366 **THE QUAKERTOWN NATIONAL BANK**

Table 1. Other Products

LENDING VOLUME		Geography: QUAKERTOWN NB		Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001	
MA/Assessment Area (2001):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
Full Review:					
Quakertown NB 2002 AA	352	1,849	0	0	

* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: QUAKERTOWN NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans					
Full Review:															
Quakertown NB 2002 AA	92	100.00	0.00	0.00	0.00	0.00	73.28	86.96	26.72	13.04	0.49	0.00	0.00	0.54	0.34

* Based on 2000 Peer Mortgage Data: Northeast Region.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: QUAKERTOWN NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans					
Full Review:															
Quakertown NB 2002 AA	476	100.00	0.00	0.00	0.00	0.00	73.28	88.87	26.72	11.13	8.06	0.00	0.00	9.83	3.02

* Based on 2000 Peer Mortgage Data: Northeast Region.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: QUAKERTOWN NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography [*]				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans					
Full Review:															
Quakertown NB 2002 AA	733	100.00	0.00	0.00	0.00	0.00	73.28	90.31	26.72	9.69	4.32	0.00	0.00	5.25	1.66

* Based on 2000 Peer Mortgage Data: Northeast Region.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: QUAKERTOWN NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography ²				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans					
Full Review:															
Quakertown NB 2002 AA	0	0.00	0.00	0.00	0.00	0.00	86.38	0.00	13.62	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2000 Peer Mortgage Data: Northeast Region.

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

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: QUAKERTOWN NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share (%) by Geography ¹				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans					
Full Review:															
Quakertown NB 2002 AA	789	100.00	0.00	0.00	0.00	0.00	76.30	93.28	23.70	6.72	0.50	0.00	0.33	0.88	0.14

¹ Based on 2000 Peer Small Business Data: US&PR.

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

*** Source Data - Dun and Bradstreet (2001).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS															
Geography: QUAKERTOWN NB															
Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001															
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography'				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Quakertown NB 2002 AA	1	100.00	0.00	0.00	0.00	0.00	73.89	0.00	26.11	100.00	0.00	0.00	0.00	0.00	0.00

* Based on 2000 Peer Small Business Data: US&PR.

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

*** Source Data - Dun and Bradstreet (2001).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: QUAKERTOWN NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share ⁷				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
Quakertown NB 2002 AA	92	100.00	11.14	6.82	17.40	19.32	28.63	27.27	42.83	46.59	0.54	0.00	0.54	0.71	0.49	

⁷ Based on 2000 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for 4.35% of loans originated and purchased by BANK.

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

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

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: QUAKERTOWN NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001					Market Share ⁷				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}						
Full Review:																
Quakertown NB 2002 AA	476	100.00	11.14	10.68	17.40	18.59	28.63	33.97	42.83	36.75	8.12	11.63	8.05	9.74	6.72	

⁷ Based on 2000 Peer Mortgage Data: Northeast Region.

^{**} As a percentage of loans with borrower income information available. No information was available for 1.68% of loans originated and purchased by BANK.

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

^{****} Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE															Geography: QUAKERTOWN NB					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share [†]													
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	Overall	Low	Mod	Mid	Upp									
Full Review:																								
Quakertown NB 2002 AA	733	100.00	11.14	5.93	17.40	17.09	28.63	29.24	42.83	47.74	4.69	7.26	4.90	4.59	4.36									

[†] Based on 2000 Peer Mortgage Data: Northeast Region.

^{**} As a percentage of loans with borrower income information available. No information was available for 3.41% of loans originated and purchased by BANK.

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

^{****} Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: QUAKERTOWN NB			Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Quakertown NB 2002 AA	789	100.00	85.03	64.01	72.24	16.73	11.03	0.50	0.92

* Based on 2000 Peer Small Business Data: US&PR.

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

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).

**** 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 2.28% of small loans to businesses originated and purchased by the bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: QUAKERTOWN NB			Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Quakertown NB 2002 AA	1	100.00	90.36	100.00	0.00	100.00	0.00	0.00	0.00

* Based on 2000 Peer Small Business Data: US&PR.

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

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans
(Institution's Option)**

Geographic and Borrower Distribution: CONSUMER LOANS		Geography: QUAKERTOWN NB										Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001							
MA/Assessment Area:	Geographic Distribution										Borrower Distribution								
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		
	#	% of Total*	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	
Full Review:																			
Quakertown NB 2002 AA	1,495	100.00	0.00	0.00	0.00	0.00	75.67	90.77	24.33	9.23	14.44	27.76	14.74	24.01	23.36	25.28	47.46	22.94	

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

** Percentage of Households is based on the 1990 Census Information.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: QUAKERTOWN NB				Evaluation Period: December 21, 1998 to February 25, 2002			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Quakertown NB 2002 AA	1	121	1	1,480	2	1,269	100.00	0	0

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

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: QUAKERTOWN NB				Evaluation Period: December 21, 1998 to February 25, 2002									
MA/Assessment Area:	Deposits	Branches				Branch Openings/Closings				Population							
	% of Rated Area Deposits in AA	# of BANK Branches	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography				
			Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
Full Review:																	
Quakertown NB 2002 AA	100.00	7	100.00	0.00	0.00	100.00	0.00	1	0	0	0	1	0	0.00	0.00	74.79	25.21

Quakertown NB 2002 AA

Demographic Information for Full Scope Area: Quakertown NB 2002 AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	63	0.00	0.00	77.78	22.22	0.00
Population by Geography	224,317	0.00	0.00	74.79	25.21	0.00
Owner-Occupied Housing by Geography	62,126	0.00	0.00	73.28	26.72	0.00
Business by Geography	11,258	0.00	0.00	76.30	23.70	0.00
Farms by Geography	674	0.00	0.00	73.89	26.11	0.00
Family Distribution by Income Level	62,258	11.14	17.40	28.63	42.83	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	17,766	0.00	0.00	80.22	19.78	0.00
Median Family Income		41,494	Median Housing Value		139,215	
HUD Adjusted Median Family Income for 2001		59,319	Unemployment Rate (1990 US Census)		1.79%	
Households Below Poverty Level		3.91%				

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

Source: 1990 US Census and 2001 HUD updated MFI

THIS TABLE IS A DUPLICATE OF THE TABLE IN THE MARKET PROFILE SECTION IN APPENDIX B AND SHOULD BE ELIMINATED.