

**PUBLIC DISCLOSURE**

**(MAY 6, 1996)**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**UNITED VALLEY BANK  
DSBB - 034287750000  
PHILADELPHIA, PA**

**FEDERAL RESERVE BANK OF PHILADELPHIA  
TEN INDEPENDENCE MALL  
PHILADELPHIA, PA 19106**

**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 Community Reinvestment Act (CRA) performance of United Valley Bank prepared by the Federal Reserve Bank of Philadelphia, the institution's supervisory agency, as of May 6, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The rating is based upon; the institution's high level of loans in relation to deposits, a reasonable geographic distribution of loans throughout the institution's assessment area, and a reasonable distribution of loans to borrowers of different income levels and businesses of different sizes. The rating also takes into consideration that the majority of institution's loans were outside its assessment area.

## ASSIGNMENT OF RATING

### Identification of Possible Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### **Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**DISCUSSION OF INSTITUTION'S PERFORMANCE**

The following table indicates the performance level of **UNITED VALLEY BANK** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>UNITED VALLEY BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area			X
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	NO COMPLAINTS WERE RECEIVED SINCE THE PRIOR EXAMINATION		

**DESCRIPTION OF UNITED VALLEY BANK**

United Valley Bank's (UVB) main office and administrative headquarters is located in the central business district of Philadelphia, Pennsylvania. This office maintains regular business hours Monday through Friday from 8:00 a.m. to 6:00 p.m. The bank is a member of the Money Access Center (MAC) automated teller machine (ATM) network; however, UVB does not operate a proprietary ATM.

Previously, UVB maintained a loan production office (LPO) located in Jenkintown, Pennsylvania. In September 1995, the bank converted the LPO into a full-service branch office. Additionally, in January 1996, UVB opened a third full-service branch office in Bala Cynwyd, Pennsylvania. Both branch offices maintain regular business hours Monday through Friday from 10:00 a.m. to 2:00 p.m. with additional hours from 9:00 a.m. to 5:00 p.m. by appointment.

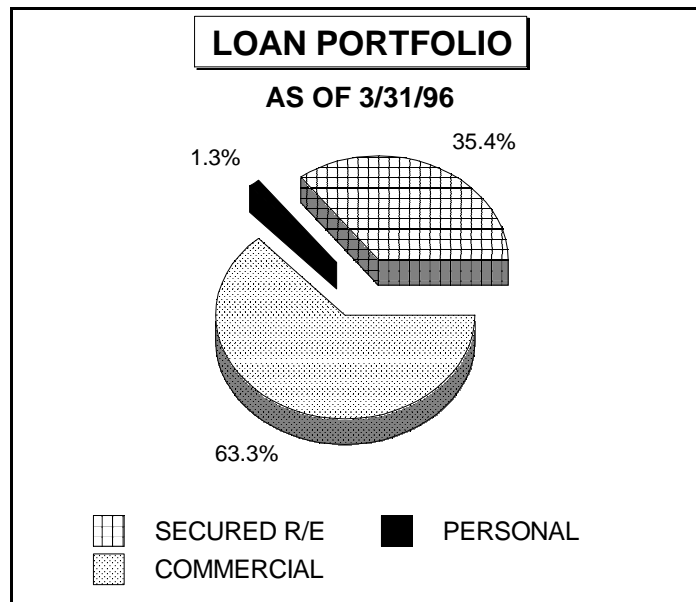
According to management, UVB's primary business focus is to serve the banking needs of professionals and small- to medium-size businesses within its community. In so doing, the bank continues to emphasize the advantages of its small size and business orientation relative to its ability to provide individualized customer service and flexibility to small- to- medium-sized businesses of its community.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DESCRIPTION OF UNITED VALLEY BANK (continued)

UVB's credit originations, for the period under review, consisted primarily of commercial loans. Generally, the bank only extended consumer and mortgage loans on an accommodation basis to existing commercial customers. Thus, the volume of consumer and mortgage loan originations is significantly limited.

The Uniform Consolidated Statement of Condition and Income as of March 31, 1996 reflected total assets of \$127.3 million, \$99.2 million (78%), of which were loans. An analysis of the loan portfolio mix revealed that loans secured by residential real estate were \$35.0 million, and personal loans were \$1.3 million, which, combined, accounted for 37% of total loans. The balance of the portfolio was essentially comprised of commercial loans. It should also be noted that most of the loans secured by residential real estate are commercial purpose loans.



UVB is a wholly owned banking subsidiary of United Valley Bancorp, Inc. (UVBC). Eagle Valley Financial Services (EVFS) is a joint venture real estate loan origination subsidiary of UVBC. EVFS operates as a licensed mortgage banking company in both Pennsylvania and New Jersey, which originates residential and commercial real estate loans. UVB has the right of first refusal on all loan applications processed and underwritten by EVFS. Loans not funded by UVB are brokered to other area financial institutions for purchase. This arrangement allows the bank to provide mortgage credit, on an accommodation basis, to its existing commercial customers. Additionally, to accommodate existing commercial customers, the bank continues to originate residential mortgage loans based on underwriting standards that do not conform to secondary market underwriting criteria.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DESCRIPTION OF UNITED VALLEY BANK (continued)

Since the previous examination, UVB opened two new branch offices located in Jenkintown and Bala Cynwyd in Montgomery County, Pennsylvania and established separate and distinct assessment areas for each. Accordingly, the bank now has a separate assessment area for each of its three offices.

Main Office Assessment Area

This assessment area is confined to six census tracts within an area generally known as Center City Philadelphia. Although two of the tracts are designated as low income based on 1990 U.S. Census data, the assessment area is primarily comprised of commercial entities with a modest level of residential dwellings. It is contained within a primary service area that the bank has identified as bounded on the north and south by Race and Walnut Streets, respectively, and on the east and west by Thirteenth Street and the Schuylkill River, respectively.

Bala Cynwyd Office Assessment Area

This assessment area consists of 24 census tracts encompassing portions of the Manayunk, Roxborough, West Park, and Overbrook sections of Philadelphia together with a considerable southeasterly portion of Lower Merion Township, Montgomery County as well. The assessment area, which is generally residential, in nature, contains one moderate-income tract located in the West Park section of Philadelphia. It is contained within a primary service area that the bank has identified as bounded on the north and south by Gulph Mill Creek/Shawmont Avenue and Fairmount Park/Parkside Avenue, respectively; and, on the east and west, by Fairmount Park/Henry Avenue and U.S. Route 30/Lancaster Avenue, respectively.

Jenkintown Office Assessment Area

This assessment area consists of 37 census tracts encompassing the townships of Abington, Cheltenham, and Springfield, together with a considerable portion of Upper Moreland Township, located in Montgomery County. The assessment area, which is generally residential in nature, contains no low- or moderate-income geographies. It is contained within a primary service area that the bank has identified as bounded on the north and south by U.S. Route 202/County Line Road and Cheltenham Avenue, respectively; and, on the east and west, by Pennsylvania Routes 232,532,413, and U.S. Route 202 and the Northeast Extension of the Pennsylvania Turnpike, respectively.

**DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

**DESCRIPTION OF UNITED VALLEY BANK (continued)**

Jenkintown Office Assessment Area (continued)

Management determined each assessment area based upon UVB's effective lending territory in conjunction with existing geographic and natural boundaries. Management periodically evaluates the assessment areas to ensure that each remains reasonable for purposes of CRA. However, such an evaluation process is deemed a challenging task, given the bank's small size, its limited branch network, and the market competition within each assessment area.

In view of the foregoing parameters, the limited existence of the Bala Cynwyd and Jenkintown offices, and the relatively close proximity of the three assessment areas to one another, the assessment areas were examined and analyzed in a collective fashion for purposes of this CRA assessment. Moreover, references to UVB's assessment areas are made in a collective fashion throughout this report. As such, the three assessment areas encompass 67 geographies or census tracts, with 51% of the tracts designated as upper-income, while 45% are middle-income. As already noted, only three or 4% of the total tracts have been designated as low- to moderate-income.

The following table summarizes the population of the combined assessment areas.

	<b>Number</b>	<b>Percent</b>
Market Population	237,855	100.0%
L/M Market Population	8,091	3.4%
Minority Population	41,454	17.4%
L/M, Minority Population	7,436	3.1%

(L/M designates low- to moderate-income)

Based upon 1990 U.S. Census data, the demographic composition of Philadelphia and Montgomery counties are illustrated in the table below.

	<b>Montgomery</b>	<b>Philadelphia</b>
Total Population	678,111	1,585,577
White	91.4%	53.5%
Black	5.8%	39.9%
American Indian	0.1%	0.2%
Asian/Pacific Islander	2.4%	2.7%
Other	0.3%	3.7%
Hispanic	1.2%	5.6%
% Female	51.9%	53.5%

**DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

**DESCRIPTION OF UNITED VALLEY BANK (continued)**

Given the location of its headquarters, UVB's overall viability is significantly dependent upon the economic conditions of the city of Philadelphia.

In terms of population, Philadelphia is the fourth largest city in the nation. Based on 1990 U.S. Census data, Philadelphia had a population of 1.6 million, a median household income of \$24,600, and a citywide unemployment rate of 9.7%. In terms of race, 53.5% of the city's population was white, 39.9% was black, and all other races or ethnic groups represented 12.2% of the population. Philadelphia is comprised of 353 census tracts, 204 or 58%, of which, are designated as low- to moderate-income; while 105 or 30% are designated as both low- to moderate-income and minority tracts.

The traditional economic base of the city has been manufacturing; however, due to recent plant closings, the majority of the local work force is now service-oriented with health care the most active segment of the economy. The major employers in the Philadelphia area are Aramark, Bell Atlantic, Cigna, and Unisys.

The median household income for Montgomery County is \$43,720, compared to \$40,556 for the bank's assessment areas and \$35,407 for the entire Philadelphia MSA.

The percent of owner-occupied housing units in Montgomery, and Philadelphia Counties is 72%, and 62%, respectively. The median value of these units is \$143,400 (Montgomery), and \$49,400 (Philadelphia), as compared to a median value of \$130,056 for the bank's assessment areas and \$99,212 for the entire Philadelphia MSA.

UVB operates in an extremely competitive banking environment, that includes a number of large commercial banking organizations and several thrifts, against a backdrop of a regional economy that continues to lag the nation during the most recent economic recovery. Area competition continues to intensify in the wake of several acquisitions of smaller financial institutions by larger regional and super-regional financial institutions.

**LOAN TO DEPOSIT RATIO**

The bank's lending profile continues to reflect its wholesale orientation and responsiveness to community credit needs commensurate with its financial capacity. According to the March 31, 1996 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio as of March 31, 1996 equaled 88.1% (peer 68.3%); while at December 31, 1995 and December 31, 1994 it equaled 86.3% and 88.8%, respectively.



**DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

**LOAN TO DEPOSIT RATIO (continued)**

The following table depicts the bank's loan-to-deposit ratio and growth rates over the past four years. In particular, the table shows that the bank continues to grow steadily while maintaining a balance sheet composition with a high level of loans relative to deposits.

	12/31/95	12/31/94	12/31/93	12/31/92
Loan to Deposit	86.3%	88.8%	76.5%	87.0%
Asset Growth	16.9%	4.8%	31.7%	5.7%
Net Loan Growth	22.6%	11.3%	17.9%	-4.6%

The next table depicts the institution's quarterly loan-to-deposit ratios since the previous examination. It also illustrates the quarterly loan-to-deposit ratio average since the previous examination. The quarterly loan-to-deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters since the previous examination.

As of	Net Loans	Deposits	Ratio
12/31/94	\$81,348	\$91,639	88.8%
03/31/95	\$84,998	\$102,765	82.7%
06/30/95	\$93,766	\$103,612	90.5%
09/30/95	\$96,132	\$107,143	89.7%
12/31/95	\$99,757	\$115,558	86.3%
03/31/96	\$98,228	\$111,551	88.1%
<b>Quarterly Loan to Deposit Ratio Average Since Previous Examination</b>			<b>87.7%</b>

Based on the forgoing analysis, it was determined that the bank's loan-to-deposit ratio exceeds the standards for satisfactory performance given the institution's size, financial condition, and the credit needs of its assessment areas.

**LENDING IN ASSESSMENT AREA**

The table below illustrates the loans extended inside and outside of UVB's assessment areas. The analysis is based upon a sample of commercial loans and home equity lines of credit originated from January 1995 through April 1996, and all mortgage loans originated during 1995. The bank extended only two consumer installment loans since the previous examination; thus, an analysis of consumer installment loans was not deemed meaningful for this assessment.

**DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

**LENDING IN ASSESSMENT AREA (continued)**

Loans Inside and Outside of Assessment Area								
	Commercial Loans		Home Equity LOC		Mortgage Loans		Total Loans	
	#	%	#	%	#	%	#	%
Inside	44	21%	4	18%	6	35%	54	22%
Outside	146	69%	18	78%	11	65%	175	69%
Unknown	22	10%	1	4%	0	0%	23	9%
Total	212	100%	23	100%	17	100%	252	100%

(Unknown denotes census tracts which could not be identified)

It was determined that a majority of UVB's loans were made outside of its assessment areas. The bank's limited market penetration is attributed to its size, financial resources, and office locations. Additionally, it should be noted that UVB's Jenkintown and Bala Cynwyd branch offices have been in operation for less than one year.

Nevertheless, UVB continues to actively explore all reasonable credit opportunities within its assessment areas, commensurate with its financial capacity and business objectives.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The following table illustrates the geographic distribution of loans extended within low-, moderate-, middle- and upper-income geographies. As previously mentioned, UVB has extended only two consumer installment loans since the previous examination; thus a geographic analysis of consumer installment loans would not be meaningful for this assessment.

Geographic Distribution of Loans By Product Type								
	Commercial Loans		Home Equity LOC		Mortgage Loans		Total Loans	
	#	%	#	%	#	%	#	%
Low	12	6%	0	0%	0	0%	12	5%
Moderate	17	8%	0	0%	0	0%	17	7%
Middle	61	29%	2	9%	6	35%	69	27%
Upper	100	47%	20	87%	11	65%	131	52%
Unknown	22	10%	1	4%	0	0%	23	9%
Total	212	100%	23	100%	17	100%	252	100%

(Unknown denotes census tracts which could not be identified)

**DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

**GEOGRAPHIC DISTRIBUTION OF LOANS (continued)**

The bank's geographic distribution of loans reflects the demographic characteristics of its assessment areas. Furthermore, UVB's lending presence within low-to moderate-income geographies is deemed reasonable for purposes of CRA in view of the bank's size, office locations, and other contextual criteria already presented.

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

A low- or moderate-income designation refers to income which is less than 80% of an MSA's median family income. The median family income for the Philadelphia MSA is \$41,908; thus, families with an annual income of less than 80% of that amount (\$33,526), are deemed low- to moderate-income. A sample of home equity lines of credit and mortgage loans was reviewed to determine the distribution of borrowers of different income levels. Again, consumer installment loans were not included in the sample.

Borrower incomes were categorized as follows:

Low Income	Less than 50% of the Median MSA Income - <b>Less than \$20,954</b>
<u>Moderate Income</u>	50% to 80% of the Median MSA Income - <b>Between \$20,954 and \$33,526</b>
<u>Middle Income</u>	80% to 120% of the Median MSA Income - <b>Between \$33,526 and \$50,289</b>
<u>Upper Income</u>	Greater than 120% of the Median MSA Income - <b>Greater than \$50,289</b>

The income distribution of the sample selected is presented below.

Borrower Income Distribution						
	Home Equity LOC		Mortgage Loans		Total Loans	
	#	%	#	%	#	%
Low	1	4%	0	0%	1	3%
Moderate	0	0%	0	0%	0	0%
Middle	1	4%	0	0%	1	3%
Upper	21	92%	17	100%	38	94%
Total	23	100%	17	100%	40	100%

**DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

**LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)**

The distribution shows the majority of UVB borrowers to be upper-income. Retail lending to lesser income borrowers, including middle-income individuals, is limited. Nevertheless, the level of low-income borrowers reflected in the distribution is commensurate with the collective demographics of the three assessment areas. Moreover, the upper-income skewed distribution is not considered unreasonable, for purposes of CRA, given that UVB does not actively solicit consumer and mortgage credit.

**LENDING TO BUSINESSES OF DIFFERENT SIZES**

A small business loan, for the purposes of CRA, includes "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income.

According to Schedule RC-C Part II (Loans to Small Businesses and Small Farms) of the bank's Consolidated Reports of Condition and Income as of June 30, 1995, 87% of the aggregate dollar outstanding of commercial & industrial loans and commercial mortgage loans, combined, were categorized as small business loans and are detailed below.

<b>Loans to Small Business Consolidated Reports of Condition and Income as of 6/30/95 Schedule RC-C Part II Loans Secured by Nonfarm Nonresidential Properties</b>				
	<b>Number of Loans</b>	<b>Percent</b>	<b>Amount Outstanding at 6/30/95</b>	<b>Percent</b>
With original amounts of \$100,000 or less	1	20%	\$48,000	4%
With original amounts of more than \$100,000 through \$250,000	0	0%	\$0	0%
With original amounts of more than \$250,000 through \$1,000,000	4	80%	\$1,211,000	96%
TOTAL	5	100%	\$1,259,000	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BUSINESSES OF DIFFERENT SIZES (continued)

Loans to Small Business Consolidated Reports of Condition and Income as of 6/30/95 Schedule RC-C Part II Commercial and Industrial Loans				
	Number of Loans	Percent	Amount Outstanding at 6/30/95	Percent
With original amounts of \$100,000 or less	244	56%	\$8,728,000	16%
With original amounts of more than \$100,000 through \$250,000	99	23%	\$11,955,000	23%
With original amounts of more than \$250,000 through \$1,000,000	93	21%	\$32,146,000	61%
TOTAL	436	100%	\$52,829,000	100%

Additionally, a statistical sample of commercial loans originated over the past eighteen months was reviewed to determine the distribution of loans to businesses of different sizes. Of 212 commercial loans originated during the period, 175 or 83% were extended to businesses with gross revenues of \$1 million or less. Such distribution is deemed consistent with the institution's asset size and lending capacity.

UVB also originated the following loans over the past eighteen months which evidence its commitment to its local community.

- ! A \$25,000 line of credit to a local builder for the purpose of rehabilitating residential housing units in low- and moderate-income geographies throughout Philadelphia.
- ! A \$50,000 loan was extended to open a card and gift shop which is minority-owned.
- ! A \$58,500 loan for the purpose of rehabilitating and selling a multi-family property in a low-income geography.

UVB continues to maintain active involvement in the Center City Small Bank CRA Alliance (Alliance). The Alliance consists of several local financial institutions that strive to identify various community credit needs and participate in the financing of some community development initiatives. Through the Alliance, the bank is a member of the Philadelphia Small Business Micro Loan Fund. UVB has made an annual commitment of \$25,000 to the fund for each of the past three years. Management indicated that requests for loans from the fund have steadily increased and that, on average, two loans are originated from the fund each month.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BUSINESSES OF DIFFERENT SIZES (continued)

Lastly, UVB participates in loan programs sponsored by the U.S. Small Business Administration (SBA). Since the previous examination, the bank has originated 15 SBA loans totaling over \$2 million.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

UVB generally solicits credit applications from all segments of its local community, including low- and moderate-income neighborhoods. Management has established consumer and commercial loan policies that evidence its commitment to evaluate and offer credit requests without regard to any prohibited basis. The bank's credit policies are not reflective of prohibited discriminatory practices, such as prescreening, or the discouragement of applicants from the types of credit set forth in its CRA statement.

UVB is in general compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act, and other agency regulations governing the nondiscriminatory treatment of credit applicants. An evaluation of the bank's actual lending practices noted an overall adherence to antidiscrimination laws and fair lending statutes.

Finally, no consumer complaints were filed with this Reserve Bank at the date of the evaluation, nor is the bank currently engaged in any litigation related to consumer credit statutes.