

PUBLIC DISCLOSURE

(July 17, 2001)

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**FOUNDERS' BANK
RSSD - 1211700
BRYN MAWR, PENNSYLVANIA**

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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 Reserve Bank of Philadelphia concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

This institution is rated **Satisfactory**.

Major factors contributing to this rating include:

- A high percentage of loans are made in the bank's assessment area,
- The geographic distribution of loans reflects an adequate penetration throughout the bank's assessment area,
- The distribution of lending to borrowers reflects an adequate penetration among retail customers of different income levels,
- Excellent penetration among businesses of different sizes,
- A low level of community development loans,
- Limited use of innovative and flexible lending practices in order to serve assessment area credit needs,
- A significant level of qualified community development investments and grants, but rarely in a leadership position,
- Bank delivery systems are reasonably accessible to essentially all portions of the bank's assessment area, and
- An adequate level of community development services.

The following table indicates the performance level of Founders' Bank with respect to the lending, investment, and service tests.

PERFORMANCE TEST MATRIX			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

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

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DESCRIPTION OF INSTITUTION

Founders' Bank, headquartered in Bryn Mawr, Delaware County, Pennsylvania, is a state chartered full-service commercial bank offering a variety of consumer and commercial banking services through its three branch offices in Bryn Mawr, Media, and West Chester serving Delaware, Montgomery & Chester Counties in southeastern Pennsylvania.

Founders' Bank is a subsidiary of Susquehanna Bancshares, Inc. (SBI), a \$4.9 billion multi-bank holding company headquartered in Lititz, PA. SBI has historically allowed its bank subsidiaries to function autonomously, with SBI providing operational and administrative support.

Founders' has maintained its independent identity and business strategy despite its holding company affiliation. The institution's target market continues to focus on high net worth individuals, small-to-medium size businesses, and real estate developers. The bank's business strategy continues to emphasize the advantages of its small size and customer focus in relation to its ability to provide individualized customer service and flexibility to the individuals and businesses of its community.

As of June 30, 2001, Founder's Bank reported \$157 million in total assets of which \$111 million, or 71%, are loans. The bank offers a variety of commercial and consumer banking services commensurate with a full-service commercial bank. However, a review of the loan portfolio reflects the bank's commercial orientation. The composition of the bank's loan portfolio is presented in the following table:

LOANS as of 6/30/01	\$000	%
Construction & Land Development	12,250	11
Open-End Loans Secured by Residential Properties ¹	4,786	4
Closed-End Secured by Residential Property ¹	20,274	18
Commercial Mortgages	\$32,553	30
Commercial and Industrial	23,092	21
Consumer Loans	12,007	11
Other Loans	5,713	5
GROSS LOANS	\$110,675	100%

Source: Consolidate Report of Income for the period ending June 30, 2001

Founders' competitors include other local community banks and larger regional institutions such as PNC, Mellon, and First Union.

¹ It should be noted that the loans classified as secured by residential property are not necessarily residential mortgage loans.

DESCRIPTION OF ASSESSMENT AREA

For purposes of CRA and this written evaluation, geographies are categorized and defined as follows:

- Low-income geographies have a median family income less than 50% of the MSA median family income;
- Moderate-income geographies have a median family income from 50% to less than 80% of the MSA median family income;
- Middle-income geographies have a median family income from 80% to less than 120% of the MSA median family income;
- Upper-income geographies have a median family income equal to or greater than 120% of the MSA median family income.

Correspondingly, family income levels are categorized and defined as follows:

- Low-income families have a median family income of less than 50% of the MSA median family income;
- Moderate-income families have a median family income from 50% to less than 80% of the MSA median family income;
- Middle-income families have a median family income from 80% to less than 120% of the MSA median family income;
- Upper-income families have a median family income equal to or greater than 120% of the MSA median family income.

Median family income and all other demographic indices and statistics presented throughout this evaluation are based on 1990 U.S. Census data unless otherwise noted.

The bank's assessment area includes all of Chester, Delaware, and Montgomery counties in Pennsylvania. The assessment area encompasses a sizable portion of the Philadelphia MSA. The assessment area includes all of what is locally referred to as the Philadelphia "Main Line", which is regarded as one of the most affluent areas in the entire MSA.

The bank's assessment area was determined to comply with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income geographies.

Geographic Data

For purposes of evaluating the geographic distribution of loans, geographies were classified on the basis of 1990 U.S. Census data.

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General Geographic Data

Of the 470 geographies in the assessment area, 57 are designated as low- or moderate-income. Of the 57 low- or moderate-income geographies, 17 are designated low-income and 40 are designated moderate-income. It should be noted that 10 of the 17 low-income geographies primarily comprise universities and prisons, with either no population or population with little measurable income. Approximately 8% of the assessment area's population resides within low- and moderate-income geographies.

The following table presents relevant demographic information:

FOUNDERS' BANK'S ASSESSMENT AREA DEMOGRAPHICS BY GEOGRAPHY				
Type of Geography	Number of Geographies	Percent	Population of Geographies	Percent
Low-Income	17	4	14,353	1
Moderate-Income	40	9	112,411	7
Middle-Income	208	44	700,906	44
Upper-Income	205	43	765,803	48
Total	470	100%	1,593,473	100%

As can be seen in the preceding table, the bank's assessment primarily comprises middle- and upper-income geographies. The majority of the low- and moderate-income geographies are located within the City of Chester in Delaware County. The assessment area's other significant low- and moderate-income geographies are situated in Upper Darby Township and Darby Borough in Delaware County, West Chester Borough in Chester County, and the cities of Norristown and Pottstown in Montgomery County.

Housing

The assessment area contains 616,406 housing units. One-to-four family units comprise 82% of the housing units, multi-family units comprise 16%, while mobile homes and other housing units comprise the remaining 2% of available housing. The median value of the housing units in the assessment area is \$153,121, significantly higher than both the State and the MSA at \$69,075 and \$99,212, respectively. Furthermore, the majority of the homes in the bank's assessment area are priced over \$150,000.

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Moreover, there is a significant disparity between the median housing value in the assessment area's upper-income geographies (\$203,544), and that in middle-income geographies (\$109,847), moderate-income geographies (\$64,283), and low-income geographies (\$45,184).

The overall owner-occupancy rate in the assessment area is 73%. Of the total owner-occupied housing units in the assessment area, 30% are valued at more than \$100,000 and 41% are valued at more than \$150,000. The lack of affordable housing in the assessment area generally precludes low- to moderate-income families from purchasing homes. Statewide, only 13% of housing units are valued at more than \$150,000.

The following table shows the number of owner-occupied housing units, compared to the number of total available units, for each geographic designation.

ASSESSMENT AREA HOUSING PROFILE BY GEOGRAPHY			
Type of Geography	Total Units	Owner-Occupied Units	Percent Owner-Occupied
Low-Income	6,034	2,009	33
Moderate-Income	46,119	24,176	52
Middle-Income	277,710	183,259	66
Upper-Income	289,543	220,524	76
All Geographies	616,406	429,968	70

The percentage of owner-occupied units contained within designated geographies is generally used as a proxy to estimate demand for residential mortgage lending within such geographies. In the bank's assessment area, the percentage of owner-occupied units located within the low- and moderate-income geographies, at approximately 6%, is extremely low when compared to that in middle- and upper-income geographies. The overwhelming majority of owner-occupied housing units are located in the middle-income geographies and upper-income geographies.

The following table shows the number and percent of owner-occupied housing units by geographic designation:

ASSESSMENT AREA OWNER OCCUPANCY DISTRIBUTION BY GEOGRAPHY		
TYPE OF GEOGRAPHY	NUMBER OF OWNER-OCCUPIED UNITS	PERCENTAGE OF ALL OWNER-OCCUPIED UNITS
Low-Income	2,009	1
Moderate-Income	24,176	5
Middle-Income	183,259	43
Upper-Income	220,524	51
All Geographies	429,968	100%

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Borrower Income Data

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes were classified based upon annually adjusted median family income data made available from the U.S. Department of Housing and Urban Development (HUD). According to 1990 Census Bureau Statistics, the median family income for the assessment area was \$52,411, which was significantly higher than the median income level for both the State and the MSA at \$34,856 and \$41,908 respectively. Roughly 28% of the families in the assessment area are designated as low- or moderate-income. Approximately 84% of these low- and moderate-income families reside in the assessment area's middle- and upper-income geographies.

The following table shows the number of families by income level designation.

ASSESSMENT AREA DEMOGRAPHICS BY INCOME LEVEL		
	Number of Families	Percent
Low-Income Families	51,023	12
Moderate-Income Families	66,908	16
Middle-Income Families	100,895	24
Upper-Income Families	207,378	48
Total Families	426,204	100%

Geographic Business Data

The percentage of small businesses located within designated geographies is used as a proxy to estimate demand for small business credit within such geographies. In the bank's assessment area, less than 6% of the assessment area's small businesses are located in the low- and moderate-income geographies, with the substantial majority of small businesses located in middle- and upper-income geographies.

The following table shows the distribution of small businesses by geographic designation:

FOUNDERS' ASSESSMENT AREA SMALL BUSINESS DISTRIBUTION BY GEOGRAPHY		
TYPE OF GEOGRAPHY	Number of Small Businesses	Percent of Small Businesses
Low-Income	304	1
Moderate-Income	3,346	5
Middle-Income	24,215	39
Upper-Income	34,173	55
All Geographies	62,038	100%

SCOPE OF EXAMINATION

Founders' CRA performance was evaluated for the period January 1, 1998 through June 30, 2001. The Lending, Investment, and Service Tests were applied in assessing the bank's performance under CRA, pursuant to the Interagency Procedures and Guidelines for Large Retail Institutions as a result of the bank's affiliation with a holding company with assets exceeding \$1 billion. Under the Lending Test, loan products evaluated included home-purchase and home-improvement loans and refinancing of such loans (collectively titled HMDA Loans), small business loans, and other loans that qualified as community development. Written documentation of interviews conducted with community representatives, prepared by the Federal Reserve and other regulatory agencies, was also reviewed during the course of the examination.

For purposes of evaluating the geographic distribution of loans, geographies were classified on the basis of 1990 U.S. Census data. The distribution of loans to borrowers of different income levels was based upon annually adjusted median family income data made available by HUD.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**LENDING TEST**

The lending test evaluates an institution's lending activities within a given assessment area with respect to the following characteristics:

- Overall lending levels and assessment area concentration,
- Geographic distribution of loans, particularly loans originated in low- and moderate-income geographies,
- Borrowers' profile or characteristics, irrespective of geography, particularly low- and moderate-income borrowers and small businesses,
- Overall responsiveness to credit needs of highly economically disadvantaged geographies, low-income persons, and very small businesses,
- Community development lending activities, and
- The use of innovative and flexible lending practices to address community credit needs.

Performance under the lending test is assessed as High Satisfactory.

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Lending Activity and Assessment Area Concentration

Bank lending levels reflect good responsiveness to assessment area credit needs. As of June 30, 2001, net loans represented 69% of total assets, which compares favorably to the bank's national peer group average of 66%.² The bank's loan-to-deposit ratio of 92% was also considerably higher than the peer group average of 77%. The high level of loans in relation to deposits was primarily attributable to the bank's continued emphasis on lending activity.

An analysis was performed to determine the volume of loans extended inside and outside of the bank's assessment area. The analysis consisted of an evaluation of the bank's HMDA and small business lending activity for 1998, 1999 and 2000. Based on the analysis, it was determined that a high percentage of the bank's mortgage and small business loans were made within its assessment area, as shown in the following tables:

1998/1999/2000 HMDA LOAN PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Area	146	76	\$24,649	72
Outside Assessment Area	46	24	\$9,799	28
Total	192	100%	\$34,448	100%

1998/1999/2000 SMALL BUSINESS LOAN PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Area	244	77%	\$40,531	69
Outside Assessment Area	73	23%	\$18,122	31
Total Loans	317	100%	\$58,653	100%

Geographic Distribution of Lending

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among different geographies within the bank's assessment area. The analysis reflected adequate penetration throughout the assessment area.

² Founder's peer group includes all insured commercial banks having assets between \$100 and \$300 million, with 3 or more banking offices, and located in a metropolitan area.

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Home Mortgage Lending

Founders' generally offers home mortgage credit facilities as an accommodation to its business and retail customers. According to 1999 aggregate HMDA data³, of the 603 HMDA reporters within the bank's assessment area, Founders' ranked 202nd among these institutions with a market share of .06%.

When viewing the bank's HMDA lending activity in low- and moderate-income geographies, it should be noted that there is a very limited number of available owner-occupied housing units in these geographies. Less than 1% of all owner-occupied housing is located in low-income geographies and less than 6% in moderate-income geographies, which severely limits the bank's lending opportunities in these geographies. By comparison, the great majority of owner-occupied housing (94%) is located in the middle- and upper-income geographies.

Despite its limited role in the home mortgage credit market and the lack of available housing in low- and moderate-income geographies, the review of the bank's lending activity reflected adequate penetration throughout the assessment area, including low- and moderate-income geographies. For the three-year period, 2% of the bank's home mortgage loans were originated in low- and moderate-income geographies.

The following table shows the geographic distribution of the bank's home mortgage lending activity for 1998, 1999 and 2000.

ASSESSMENT AREA ALL HMDA REPORTABLE LOANS 1998/1999/2000 GEOGRAPHIC DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percent of Loans / Percent of Units
Low-income	0	0	2,009	1	0.00
Moderate-income	3	2	24,176	5	0.40
Middle-income	33	23	183,259	43	0.53
Upper-income	110	75	220,524	51	1.47
All Geographies	146	100%	429,968	100%	1.00

³ 1999 is the most recent year for which aggregate HMDA data is available.

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Geographic Distribution in Relation to Market Performance

As shown in the following table, a comparison of Founders' lending activity to the market shows that the bank performed below the market in low- and moderate-income geographies in the assessment area.

ASSESSMENT AREA MARKET COMPARISON OF GEOGRAPHIC DISTRIBUTION ALL HMDA REPORTABLE LOANS PERCENT OF LOANS ORIGINATED		
TYPE OF GEOGRAPHY	FOUNDERS' Examination Period	MARKET 1999
Low-Income	0	0
Moderate-Income	2	4
Middle-Income	23	40
Upper-Income	75	56
All Geographies	100%	100%

In an effort to further enhance its mortgage lending profile, bank management has made community development investments that promote and support affordable housing initiatives for low- and moderate-income families in its assessment area. For additional discussion on these efforts, refer to the **INVESTMENT TEST** in this Public Evaluation starting on page 17. Also refer to **Innovative or Flexible Lending Practices** and the **Community Development Lending** sections, both of which start on page 16.

Small Business Lending

During the three-year period between examinations, Founders' Bank originated 244 small business loans in its assessment area totaling \$40.5 million. A comparison of the number of small business loans in each geography reflects an adequate penetration throughout the assessment area.

Business demographics revealed that there were a total of 62,038 small businesses within the bank's assessment area. During the period between examinations, Founders' extension of credit to these businesses shows that low- and moderate-income geographies received 2.5% of small business loans, while less than 6% of small businesses are located in these geographies. Middle-income geographies received 25% of small business loans for their 39% share of small businesses. Upper-income geographies received 73% of small business loans for their 55% share of small businesses.

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The bank's geographic distribution of small business loans reflects an adequate penetration throughout the assessment area. Using the number of small businesses as a proxy for loan demand, the following tables detail Founders' percent of loans as a percent of small businesses within each geography type during the period between examinations.

FOUNDERS' ASSESSMENT AREA SMALL BUSINESS LOANS GEOGRAPHIC DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Small Businesses	Percent of Small Businesses	Percentage of Loans To Percentage of Businesses
Low-Income	0	0	304	1	0.00
Moderate-Income	6	2	3,346	5	0.40
Middle-Income	61	25	24,215	39	0.64
Upper-Income	177	73	34,173	55	1.32
All Geographies	244	100%	62,038	100%	1.00

Geographic Distribution in Relation to Market Performance

As shown in the following table, a comparison of Founders' lending activity to the market shows that the bank performed slightly below the market in serving low- and moderate-income geographies within the assessment area.

ASSESSMENT AREA MARKET COMPARISON OF GEOGRAPHIC DISTRIBUTION SMALL BUSINESS LOANS PERCENT OF LOANS ORIGINATED		
TYPE OF GEOGRAPHY	FOUNDERS' Examination Period	MARKET 1999
Low-Income	0	1
Moderate-Income	2	4
Middle-Income	25	36
Upper-Income	73	59
All Geographies	100%	100%

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Distribution of Lending to Borrowers of Different Income and Businesses of Different Sizes

Borrower Characteristics

The adjusted annual median family incomes of the Philadelphia MSA for 2000, 1999 and 1998, as reported by HUD, are \$57,800, 55,600 and \$52,900, respectively. The following table categorizes the dollar amounts recognized as low-, moderate-, middle- and upper-income, predicated upon adjusted median family income measures.

Year	HUD-Adjusted Median Family Income	Low Income (<50%)	Moderate Income (50%-79%)	Middle Income (80%-119%)	Upper Income (120% or Greater)
2000	\$57,800	Less than \$28,900	\$28,900--\$46,239	\$46,240--\$69,359	\$69,360 or more
1999	\$55,600	Less than \$27,800	\$27,800--\$44,479	\$44,480--\$66,719	\$66,720 or more
1998	\$52,900	Less than \$26,450	\$26,450--\$42,319	\$42,320--\$63,479	\$63,480 or more

Home Mortgage Lending

Founders' distribution of loans reflects adequate penetration among retail customers of different income levels. An analysis of the distribution of home mortgage loans to low- and moderate-income families compared to the demographics of the assessment area shows that of the 426,204 families in the assessment area 28% are designated as low- or moderate-income. During the period between examinations, 13% of the bank's HMDA loans were to low- or moderate-income families.

The distribution of loans to low- and moderate-income families is reasonable given the demographics of the bank's assessment area. Of the 117,931 families designated as low- or moderate-income, 84% reside in middle- and upper-income geographies, where a great majority of the available housing is located. However as previously mentioned, there is a significant disparity between the median housing values in middle- and upper-income geographies and that in low- and moderate-income geographies. Consequently, there is very limited supply of affordable housing units available for purchase by low- and moderate-income families.

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An analysis of the bank's HMDA data revealed the following income distribution for loans within the assessment area:

ASSESSMENT AREA ALL HMDA REPORTABLE LOANS 1998/1999/2000 BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percent of Loans / Percent of Families
Low-income	2	2	51,023	12	0.17
Moderate-income	15	11	66,908	16	0.69
Middle-income	31	23	100,895	24	0.96
Upper-income	85	64	207,378	48	1.33
All Borrowers	133 ⁴	100%	426,204	100%	1.00

In an effort to further enhance its mortgage lending profile, bank management has made community development investments that promote and support affordable housing initiatives for low- and moderate-income families in its assessment area. For additional discussion of these efforts, refer to the **INVESTMENT TEST** in this Public Evaluation starting on page 17. Also refer to **Innovative or Flexible Lending Practices** and the **Community Development Lending** sections, both of which start on page 16.

Borrower Income Distribution in Relation to Market Performance

Founders' HMDA data shows that its lending levels are lower than aggregate lending in the assessment area. During the examination period, Founders' performed below market lending levels to low- and moderate-income borrowers.

The following table compares Founders' lending activity to market activity:

⁴ Of Founders' 146 HMDA reportable loans in 1998, 1999, and 2000, 13 had no borrower income information available and were excluded from this analysis.

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ASSESSMENT AREA MARKET COMPARISON OF THE DISTRIBUTION OF HMDA LENDING BY BORROWER INCOME LEVEL PERCENT OF LOANS ORIGINATED		
TYPE OF GEOGRAPHY	FOUNDERS' Examination Period	MARKET 1999
Low-Income	2	8
Moderate-Income	10	16
Middle-Income	21	25
Upper-Income	58	49
Income Not Available	9	2
All Geographies	100%	100%

Lending to Businesses of Different Sizes

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount or \$1 million or less. Small business loans are further quantified to identify those loans to businesses with gross annual revenues of \$1 million or less. Schedule RC-C Part II (Loans to Small Farms and Small Businesses) of the bank's Consolidated Reports of Condition and Income as of June 30, 2001, reveals that 87% of the bank's commercial loans on a dollar basis were designated as small business loans, as detailed in the following chart.

FOUNDERS' BANK COMMERCIAL LOAN PORTFOLIO		
	AMOUNT OUTSTANDING AS OF 6/30/01 (\$000)	PERCENT
Loans with original amounts of \$100,000 or Less	3,087	5
Loans with original amounts of more than \$100,000 through \$250,000	8,502	15
Loans with original amounts of more than \$250,000 through \$1,000,000	37,041	67
TOTAL SMALL BUSINESS LOANS	48,630	87
Loans with original amounts of Greater than \$1,000,000	7,015	13
Total Commercial Loans	\$55,645	100%

An analysis of the distribution of loans to businesses determined that the bank's lending to small businesses is consistent with the institution's asset size, lending capacity, and business objectives and reflects excellent penetration among businesses of different sizes.

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The number of small business loans originated by the bank in amounts of \$100,000 or less is significant. In general, loans of small dollar amounts are commensurate with the borrowing needs of smaller businesses. During the period between examinations, 53% of small business loans were in amounts of \$100,000 or less. Founders' lending activity shows the bank is meeting the credit needs of smaller businesses in its assessment area.

The following tables detail the bank's small business loan originations, as reported for purposes of CRA, for calendar year 1998, 1999 and 2000.

FOUNDERS' ASSESSMENT AREA				
1998/1999/2000 SMALL BUSINESS LOANS				
	Number	Percent	\$000	Percent
Loans with original amounts of \$100,000 or less	128	53	6,195	15
Loans with original amounts of more than \$100,000 through \$250,000	68	28	12,217	30
Loans with original amounts of more than \$250,000 through \$1,000,000	48	19	22,119	55
TOTAL SMALL BUSINESS LOANS	244	100%	\$40,531	100%

The following table further quantifies small business lending based upon the annual revenue of the business. Small business loans were analyzed to determine whether they were made to businesses with gross annual revenues of \$1 million or less. Business demographic data revealed that there were 73,216 businesses in the bank's assessment area. Of these businesses, 62,038 or 85% had sales of \$1 million or less. The bank's distribution of loans reflects an excellent penetration among business customers of different sizes in the assessment area.

FOUNDERS' ASSESSMENT AREA				
1998/1999/2000 SMALL BUSINESS LOANS				
BUSINESS REVENUES				
	Number	Percent	\$000's	Percent
Loans to businesses with revenues of \$1 million or less	224	92	36,467	90
Loans to businesses with revenues of more than \$1 million	20	8	4,064	10
Total Small Business Loans	244	100%	\$40,531	100%

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Community Development Lending

Founders' made a low level of community development loans during the period between examinations.

The bank originated three loans totaling \$190,000 to finance various community development initiatives, as summarized below:

- Founders' originated a \$100,000 line of credit to a housing redevelopment enterprise located in Delaware County, Pennsylvania dedicated to providing affordable rental housing for low- and moderate-income families. The loan proceeds were used to purchase and rehabilitate distressed housing in Delaware County, Pennsylvania.
- Founders' provided approximately \$50,000 in financing to small businesses through its participation in the Montgomery County Micro-Loan Fund and the Delaware/Chester County Micro-Loan Fund.
- Founders' originated a \$40,000 loan to a non-profit educational organization targeting urban youths in the MSA. Loan proceeds were used to fund short-term working capital needs in anticipation of annual corporate contributions.

Innovative or Flexible Lending Practices

The bank makes limited use of innovative and flexible lending practices to address the credit needs of its assessment areas, including low- and moderate-income individuals and geographies. The following loan programs were designed by Founders' to provide low- and moderate-income borrowers increased access to credit:

- In 1999 Founders' introduced its Affordable Loan Program. The program is targeted at low-income borrowers in search of affordable consumer loans. The maximum loan amount under the program is \$3,000 at a fixed interest rate of 6.5% for a term no greater than five years. In February 2001, Founders' sent a mass mailing to approximately 2,700 low-income residents in its assessment area trumpeting the features of this program. The interest rate available to qualified borrowers under this program is currently seven basis points below that available to unqualified borrowers. For example, a \$3000, five-year loan to an unqualified borrower would be priced at 13.5%, versus 6.5% for a qualified low-income borrower. Despite the merits of the program, to date the bank has received a very limited response.
- The bank, in cooperation with another local financial institution, provides supplementary financing for first-time home-buyers seeking permanent mortgage financing. Under this program, Founders' provides unsecured installment loans that enable low- and moderate-income borrowers to finance all or part of the closing costs associated with the permanent mortgage financing obtained through the other financial institution. The bank committed \$50,000 to this effort and originated two loans under the commitment since the previous examination.

INVESTMENT TEST

Founders' Bank

Performance under the Investment Test is assessed as High Satisfactory.

The investment test evaluates a financial institution's level of qualified investments serving low- and moderate-income geographies and individuals, along with the innovativeness and complexity of such investments. Qualified investments made prior to the previous examination that are still outstanding are considered under the test. For purposes of CRA, the term qualified investment has been defined to include a lawful investment, deposit, membership share, or grant, including a donation, or in-kind contribution of property that has as its primary purpose community development.

Volume of Investment and Grant Activity

Founders' has a significant level of qualified community development investments, but is rarely in a leadership position. These investments include:

- A \$750,000 investment in a limited partnership established to provide 66 units of affordable housing in Coatesville, Chester County, Pennsylvania.
- A \$100,000 investment in The Reinvestment Fund, which provides extensive financial and technical support and assistance to community development initiatives throughout the Philadelphia MSA.

In addition to these investments, the bank has made grants and contributions to organizations that routinely provide community development and affordable housing services that benefit low- and moderate-income individuals and geographies. During the period between examinations, the bank made approximately \$22,000 in qualified grants and contributions.

Given the bank's asset size and overall operating capacity, the present dollar volume of investments is significant.

Responsiveness to Credit and Community Development Needs

Founders' has demonstrated a good responsiveness to credit and community development needs through the use of investments to support community development initiatives. Qualified investments were selected on the basis of the needs of particular geographic areas and organizations. Specifically, the bank's investments promote affordable housing and support organizations that provide community development services.

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During the period between examinations, qualified investments totaled approximately \$872,000. Approximately 86% of these investments directly supported affordable housing, 12% were directed to economic development activities, and the remaining 2% of investments supported community development services.

Use of Innovative and Complex Investments to Support Community Development Initiatives

Founders' occasionally uses innovative and complex investments to support community development initiatives. Specifically, the bank's \$750,000 investment in a limited partnership will provide affordable housing alternatives to low- and moderate-income elderly individuals living in the bank's assessment areas.

SERVICE TEST

The service test evaluates the financial services provided by a financial institution using the following characteristics:

- The accessibility of delivery mechanisms within an assessment area, including the distribution of an institution's branch offices and alternative delivery mechanisms,
- The impact of changes in branch locations (openings and closings) upon low- and moderate-income geographies and low- and moderate-income persons in the assessment area,
- The reasonableness of business hours and services in meeting assessment area needs, and
- The extent to which an institution provides community development services.

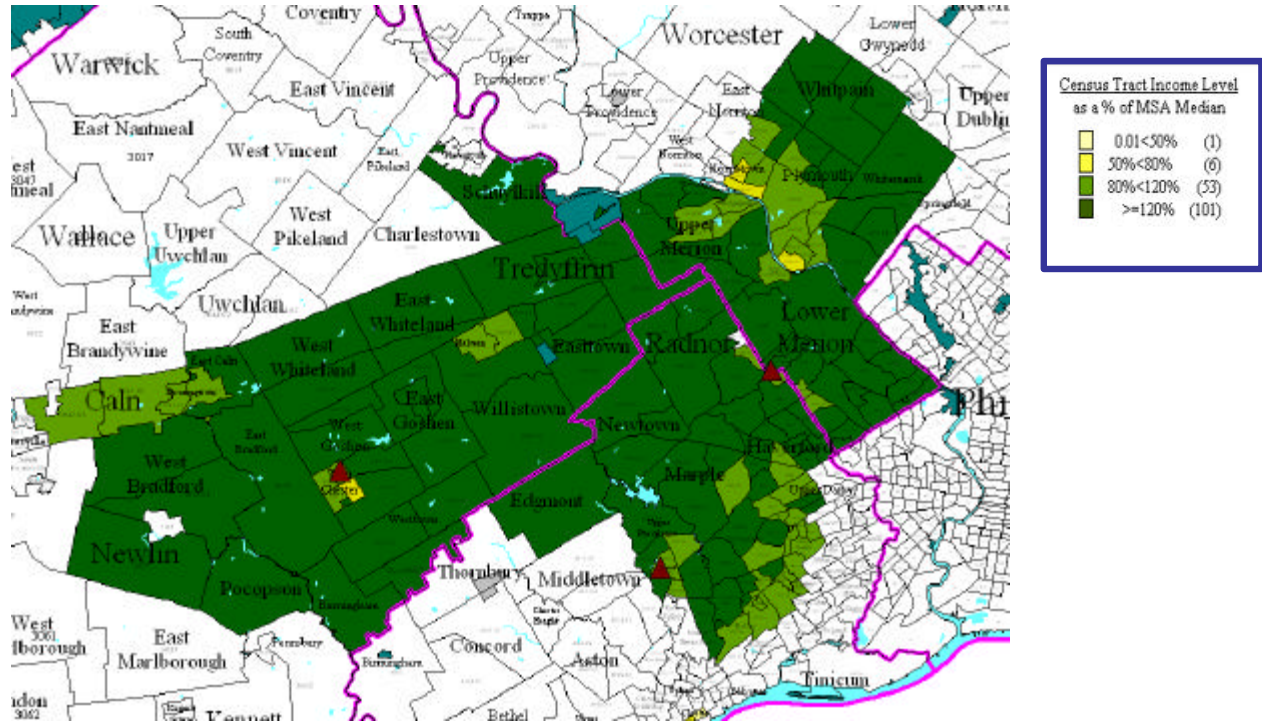
Performance under the Service Test is assessed as Low Satisfactory.

Accessibility of Delivery Systems

A review of the bank's retail banking services revealed that its branch delivery systems are reasonably accessible to essentially all portions of the bank's assessment area. The bank offers retail services through three full-service branch offices. The bank's main office and headquarters is located in an upper-income geography in Bryn Mawr, PA, which is situated just inside Delaware County, bordering Montgomery County. The bank's two other branch offices are located in Media, Delaware County, Pennsylvania, and West Chester, Chester County, Pennsylvania. The Media branch is located in a middle-income geography, while the West Chester branch is located in a moderate-income geography. The following branch map shows the location of the bank's three branches.

Founders' Bank

Branch Locations



Founders limited branch network and its business strategy of targeting high net worth individuals and small-to-medium size businesses present an obstacle to the effective delivery of retail products and services to low- and moderate-income individuals and geographies. However, the bank strives to effectively serve the banking needs of its assessment area in less traditional ways, as discussed below.

Alternative Retail Banking Services and Alternative Methods of Delivering Retail Banking Services

Although the bank does not own nor operate any automated teller machines (ATMs), it has been its longstanding practice to reimburse all fees incurred by its customers to access their accounts through another bank's ATM. Additionally, deposits made at any ATM in Pennsylvania, Delaware, New Jersey, and Maryland automatically receive next day availability. It is management's philosophy that by allowing Founders' customers to access any ATM throughout the region without incurring fees or delayed availability of deposited funds, they have created a far-reaching and convenient mechanism for customers to readily access their accounts.

To augment traditional banking services, the bank maintains an Internet web site at www.founders-bank.com. The site was developed and is maintained by SBI. The web site is transactional, allowing customers to view account information, transfer funds, and pay bills.

Founders' Bank

Finally, the bank also offers automated customer service. This service allows customers to verify account balances, monitor recent transactions, and transfer funds between accounts by telephone 24 hours a day. The system also allows customers to speak to a customer service representative at SBI's Customer Call Center located in Lititz, PA from 8AM to 8PM Monday through Friday and 8AM to 4PM on Saturdays. Call center customer service representatives can process consumer loan applications and open deposit accounts, as well as provide needed account maintenance services.

Changes in Branch Locations

No branch offices have been opened or closed since the previous examination.

Pursuant to Section 42 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), the bank maintains procedures to assess any adverse effect that a branch closure would have upon any segment of its assessment area. A formal branch closing policy has been adopted that provides for an objective assessment of any branch closure, including an evaluation of continuity of services and consideration of alternative solutions. The policy also provides for sufficient advance notice to the community or community segment, as applicable.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Services do not vary in a way that inconveniences certain portions of the assessment areas, including low- and moderate-income geographies or low- and moderate-income individuals. Banking services are offered in a uniform and consistent manner among all branches.

Community Development Services

Founders' Bank provides an adequate level of community development services, including the following:

- Founders' Bank played an active role in the creation of the Main Line Employment and Development Center. During the period between examinations, the Bank continued to provide technical assistance and support to the Center which was established to advance employment opportunities in the area.
- Bank lenders serve on the loan review committees for the Montgomery County Micro-Loan Fund and the Delaware/Chester County Micro-Loan Fund.
- The bank's CRA Officer participated in an educational program related to obtaining home financing.

Certain bank officers, directors, and employees are involved with assorted community based organizations.

COMPLIANCE WITH FAIR LENDING LAWS

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), The Fair Housing Act, and the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to the nondiscriminatory treatment of credit applicants.