

PUBLIC DISCLOSURE

March 25, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**REPUBLIC FIRST BANK
RSSD - 1216321
PHILADELPHIA, 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**.

PERFORMANCE TEST MATRIX

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

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

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

MAJOR FACTORS CONTRIBUTING TO THIS RATING

- A substantial majority of the bank's loans were made within the bank's assessment areas;
- The geographic distribution of loans reflects good penetration throughout the assessment areas;
- The distribution of borrowers reflects an adequate penetration among retail customers of different income levels;
- The distribution of borrowers reflects good penetration among business customers of different sizes;
- The bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices;
- The bank is a leader in making community development loans in its assessment areas;
- The bank makes use of innovative and flexible lending practices in order to serve the credit needs of its assessment areas;
- The bank has an excellent level of qualified community development investments and grants;
- Bank delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas;
- The bank provides a relatively high level of community development services.

REPUBLIC FIRST BANK

DESCRIPTION OF INSTITUTION

Republic First Bank (Republic), headquartered in Philadelphia, Pennsylvania, is a state chartered, full-service commercial bank offering a variety of consumer and commercial banking services. Through eight branches, Republic serves three counties in the Philadelphia Metropolitan Statistical Area (MSA).

The following table details the locations of the bank's branches.

MSA	County	Number of Branches
Philadelphia MSA	Philadelphia County	5
Philadelphia MSA	Montgomery County	3
Philadelphia MSA	Delaware County	0

Republic is a wholly-owned subsidiary of Republic First Bancorp (Bancorp), a \$652 million two-bank holding company, also headquartered in Philadelphia. Bancorp's other bank subsidiary is First Bank of Delaware. The bank operates in an extremely competitive banking environment, dominated by large regional banking organizations and aggressive community banks.

Republic's target market consists of professionals and small- to medium-sized businesses located in Philadelphia and the surrounding suburbs. Republic does not, as a practice, offer or extend residential mortgage loans to its customers. Mortgage lending activity consists primarily of loans to residential real estate developers and investors. Traditional residential mortgage loan inquiries are routinely referred to unaffiliated third parties.

As of 12/31/01, Republic reported \$617 million in total assets of which \$445 million, or 72%, are loans. The composition of the bank's loan portfolio is presented in the following table:

LOANS as of 12/31/01	\$000	%
Construction & Land Development	32,480	7%
Secured by Farm Land & Loans to Farmers	2,905	1%
Open-End Loans Secured by Residential Properties	7,057	2%
Closed-End Secured by Residential Property	194,829	44%
Multi-family Residential Property	14,058	3%
Commercial Mortgages	127,256	28%
Commercial and Industrial	3,408	1%
Consumer Loans	8,138	2%
Other Loans	54,962	12%
GROSS LOANS	\$445,093	100%

Source: Consolidate Report of Income for the period ending December 31, 2001 (pages 11 and 12)

It should be noted that not all of the loans classified as secured by residential real estate are necessarily residential mortgage loans. Furthermore, it should be noted that the large majority of the bank's credit extensions are for business purposes.

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DESCRIPTION OF ASSESSMENT AREAS

This evaluation assesses Republic's performance in two different assessment areas: the Philadelphia County assessment area and the Montgomery County assessment area.

The Philadelphia County assessment area comprises 367 geographies in Philadelphia County, encompassing the entire city of Philadelphia. The Montgomery County assessment area consists of 220 geographies, encompassing all of Montgomery County and 19 adjacent geographies in northern Delaware County. This assessment area is situated in the western portion of the Philadelphia MSA and is generally characterized as suburban, with a significant number of residential areas.

Both of the bank's assessment areas comply with the requirements of CRA and do not arbitrarily exclude low- or moderate-income geographies. There are no legal or other impediments that would hamper the bank's ability to address community credit needs, commensurate with its asset size and nature and extent of operations.

SCOPE OF EVALUATION

The review of Republic's CRA performance was conducted for the period from January 1, 2000 through December 31, 2001. The lending, investment, and service tests were applied in assessing the bank's performance pursuant to the Interagency Procedures and Guidelines for Large Retail Institutions. Under the lending test, loan products evaluated included home-purchase and home-improvement loans and refinancing of such loans (collectively known as 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 evaluation.

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 the U.S. Department of Housing and Urban Development (HUD).

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

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

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

Republic's performance under the lending test is assessed as high satisfactory.

Lending Activity

Bank lending levels reflect good responsiveness to assessment area credit needs. As of December 31, 2001, net loans represented 71% of total assets, which compares favorably to the bank's national peer group average of 66%.¹ Additionally, the bank's loan-to-deposit ratio of 104% was higher than the peer group average of 83%.

The following table shows Republic's total lending activity inside its assessment areas during the time period reviewed. An analysis of the loan activity shows that 60% of the number and 59% of the dollar value were HMDA-related loans. However, as previously discussed, a substantial majority of these loans are for business purposes. The bank's mortgage lending business consists primarily of loans to residential real estate developers and investors.

¹ Republic's peer group includes all insured commercial banks having assets between \$500 million and \$1 billion.

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SUMMARY OF LENDING ACTIVITY REPUBLIC FIRST BANK January 1, 2000 to December 31, 2001				
LOAN TYPE	Number	Percent	\$000's	Percent
HMDA home purchase	38	--	4,470	--
HMDA refinancings	154	--	6,189	--
HMDA home improvement	7	--	1,315	--
HMDA multi-family	49	--	24,703	--
Total HMDA-Related Loans	248	60	\$36,677	59
Total Small Business Loans	168	40	\$25,623	41
TOTAL LOANS	416	100%	\$62,300	100%

In terms of both number and dollars, the majority of Republic's loans were originated in the Philadelphia County assessment area. Such distribution is considered reasonable in the context of the demographic and economic characteristics of the two assessment areas and Republic's branch presence in each.

The following table shows Republic's total lending during the time period evaluated, including a break out of the bank's lending activity by assessment area:

SUMMARY OF LENDING ACTIVITY BY ASSESSMENT AREA REPUBLIC FIRST BANK January 1, 2000 to December 31, 2001				
LOAN TYPE/ASSESSMENT AREA	NUMBER	PERCENT	DOLLARS	PERCENT
HMDA LOANS				
Philadelphia County	244	98	35,511	97
Montgomery and Delaware Counties	4	2	1,166	3
TOTAL HMDA LOANS	248	100%	\$36,677	100%
SMALL BUSINESS LOANS				
Philadelphia County	95	57	17,277	67
Montgomery and Delaware Counties	73	43	8,346	33
TOTAL SMALL BUSINESS LOANS	168	100%	\$25,623	100%
TOTAL LOANS	416		\$62,300	

REPUBLIC FIRST BANK

Assessment Area Concentration

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 2000 and 2001. Based on the analysis, it was determined that a substantial majority of the bank's loans were made within the assessment areas.

The following tables show the volume of loans extended inside and outside of Republic's assessment areas.

LENDING INSIDE AND OUTSIDE ASSESSMENT AREAS JANUARY 1, 2000 to DECEMBER 31, 2001								
	Inside				Outside			
LOAN TYPE	#	%	\$000's	%	#	%	\$000's	%
HMDA	248	94	\$36,677	75	15	6	\$11,998	25
Small Business	168	82	\$25,623	80	38	18	\$6,605	20
Total Loans	416	89	\$62,300	77	53	11	\$18,603	23

Geographic Distribution of Lending and Borrower Characteristics

The geographic distribution of loans reflects good penetration throughout the assessment areas. Distribution was particularly strong in the home mortgage loan category where the distribution of loans for multi-family housing enhanced the distribution of the bank's HMDA-related loans, most importantly in the Philadelphia County assessment area.

The distribution of loans among businesses of different sizes reflects adequate penetration. The bank's lending to small businesses is consistent with its asset size, lending capacity, and business objectives.

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount 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, indicates that 36% of the bank's commercial loans are designated as small business loans, as detailed in the following chart.

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REPUBLIC FIRST BANK COMMERCIAL LOAN PORTFOLIO		
	AMOUNT OUTSTANDING (\$000) AS OF 6/30/01	PERCENT
Loans with original amounts of \$100,000 or less	\$ 2,402	2
Loans with original amounts of more than \$100,000 through \$250,000	\$ 5,112	4
Loans with original amounts of more than \$250,000 through \$1,000,000	\$ 39,073	30
Total Small Business Loans	\$ 46,587	36
Loans with original amounts of greater than \$1,000,000	\$ 82,258	64
Total Commercial Loans	\$128,845	100%

The overall distribution of loans among borrowers of different income levels, especially low- and moderate-income families, shows adequate penetration, given the product lines offered by the bank. For more detailed information regarding these lending levels, refer to the respective assessment area discussions.

Community Development Lending

Republic is a leader in making community development loans in its assessment areas. During the period between examinations, the bank originated 31 loans totaling \$15.8 million. A majority of the loans were to real estate investors for the purchase, refinance, or improvement of multi-family dwellings located in low- and moderate-income geographies. These multi-family dwellings provide affordable rental housing alternatives to low- and moderate-income individuals while helping to stabilize the neighborhoods in which the loans were made.

In addition to the multi-family housing loans, Republic originated \$8.2 million in commercial loans for community development projects located in a government-designated Enterprise Zone and a Keystone Opportunity Zone in the city of Philadelphia. For more detailed information regarding this lending, refer to the respective assessment area discussions on Community Development Lending.

Innovative or Flexible Lending Practices

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. These practices include participation in several lending programs sponsored by local community development organizations, including the Montgomery County Development Loan Fund, the Philadelphia Development Loan Fund, the Women's Opportunity Resource Center's Bank Partnership Loan Program, the Federal Home Loan Bank of Pittsburgh's Banking On Business Program, and the Community Lenders Community Development Corporation Loan Pool.

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In addition, Republic is a U.S. Small Business Administration (SBA) lender. As of April 16, 2002, the bank reported \$2.5 million in loans outstanding under SBA programs. For additional information on these programs, refer to the respective assessment area discussions relating to Innovative or Flexible Lending Practices.

Responsiveness to Credit and Community Development Needs

An analysis was conducted in an effort to determine the institution's record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income borrowers, and very small businesses. The analysis revealed that Republic exhibits a good record of serving the credit needs of highly disadvantaged areas and borrowers within its assessment areas, principally through its programs with the Women's Opportunity Resource Center and the Federal Home Loan Bank of Pittsburgh.

INVESTMENT TEST

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.

Republic's performance under the investment test is outstanding. The bank's level of qualified community development investments and grants is excellent. Investments, totaling \$1.7 million, support affordable housing, small businesses and community development services within the two assessment areas. For further discussion of qualified community development investments, refer to the respective assessment area discussions.

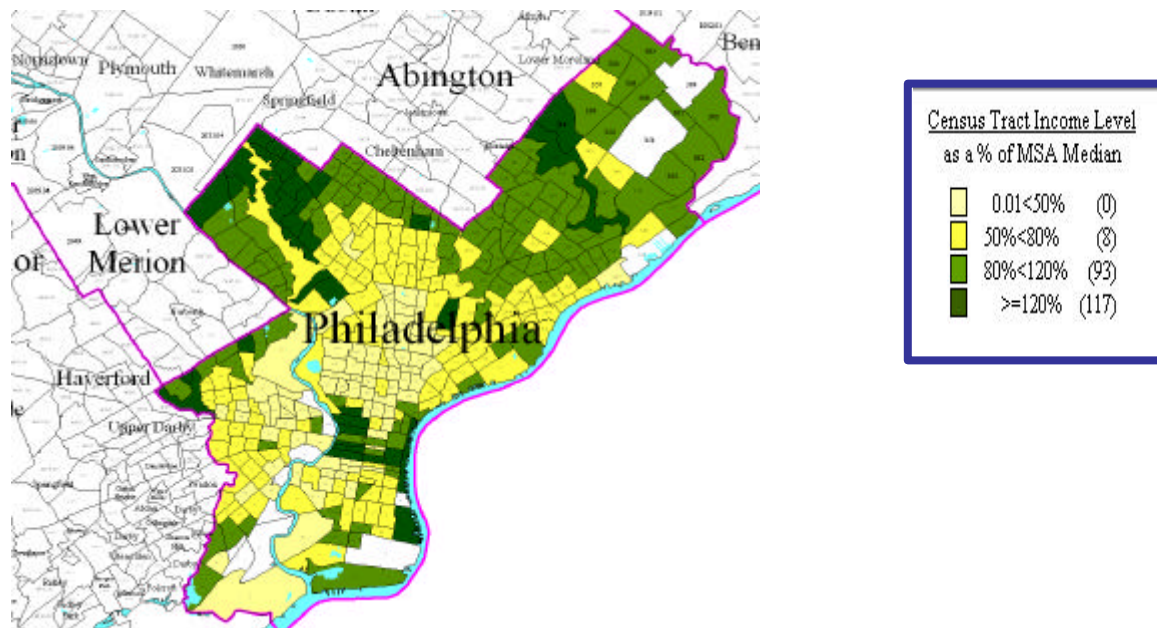
SERVICE TEST

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 (i.e., openings and closings) upon low- and moderate-income geographies or low- and moderate-income persons in the assessment areas;
- The reasonableness of business hours and services in meeting the needs of the assessment areas; and
- The extent to which an institution provides community development services.

Republic’s performance under the service test is rated high satisfactory. Branch delivery systems, as well as alternative delivery systems such as ATMs, telephone and on-line banking, are reasonably accessible to essentially all portions of the bank’s assessment areas. The bank offers retail services through eight full-service branch offices, with all branches offering ATMs.

Five branches are located in upper-income geographies and three in middle-income geographies. Although none of the branches are located in low- or moderate-income geographies, they are generally accessible to such geographies. The bank’s full-service offices are mapped as follows:



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The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. Banking services are offered in a uniform and consistent manner among all branches.

Republic provides a relatively high level of community development services, including banking accounts that provide greater access to banking services for low- and moderate-income individuals and small businesses. In addition, bank officers and employees serve in various capacities on boards and committees of several community development 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 nondiscriminatory treatment of credit applicants.

PHILADELPHIA COUNTY ASSESSMENT AREA

The Philadelphia County assessment area comprises 367 geographies, encompassing the entire city of Philadelphia, including Republic's administrative headquarters located in the heart of the business district. According to 1990 census data, 218 (or 60%) of the assessment area's total geographies are designated as low- or moderate-income.² A majority of the assessment area's total population (60%) live in the low- and moderate-income geographies.

The following table presents relevant demographic information:

PHILADELPHIA COUNTY ASSESSMENT AREA DEMOGRAPHICS BY GEOGRAPHY				
Type of Geography	Number of Geographies	Percent	Population of Geographies	Percent
Low-Income	94	26	346,691	22
Moderate-Income	124	34	602,400	38
Middle-Income	114	31	559,482	35
Upper-Income	35	9	77,004	5
Total	367	100%	1,585,577	100%

Median Family Income

According to 1990 Census Bureau statistics, the median family income for the Philadelphia County assessment area is \$30,870, which is lower than both the statewide median income of \$34,856 and the Philadelphia MSA median income of \$41,908.

Of the total number of families in the Philadelphia County assessment area, 56% are designated as low- or moderate-income. A majority of these families (70%) live in low- and moderate-income geographies. Families living below the poverty level³ represented 16% of the total families in the assessment area. In both the state of Pennsylvania and the Philadelphia MSA, 8% of families live below the poverty level.

² According to U.S. census data, 8 of the 94 low-income geographies indicate no population. An additional 7 low-income geographies indicate a small number of inhabitants but no families and no owner-occupied housing.

³ Based on the definition prescribed by the Federal Office of Management and Budget.

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

REPUBLIC FIRST BANK PHILADELPHIA COUNTY ASSESSMENT AREA DEMOGRAPHICS BY INCOME		
Type of Family	Number of Families	Percent
Low-Income	131,551	35
Moderate-Income	81,036	21
Middle-Income	83,898	22
Upper-Income	84,854	22
Total Families	381,339	100%

Housing

The assessment area contains 674,899 housing units, of which 55% are owner-occupied. Two-to-four family units comprise 77% of the total housing units, while multi-family units comprise 18%. Single family units comprise just 5% of the housing units. The median housing value in Philadelphia County is \$66,484, compared to \$99,212 in the Philadelphia-MSA and \$69,075 in the state.

There is a significant disparity between the median housing value in the assessment area's upper-income geographies (\$182,675) and that in low- (\$24,201) and moderate-income (\$40,224) geographies. The median gross rent is \$456 per month. The median age of housing stock is 44 years, older than both the state (34 years) and the MSA (42 years).

Owner-occupancy in low- and moderate-income geographies is 41% and 59%, respectively, compared to levels of 64% in middle-income geographies and 37% in upper-income geographies. The overall owner-occupancy rate in the assessment area is 55%, which is below both the statewide owner-occupancy rate of 64% and the MSA rate of 65%. The following chart shows the number of owner-occupied housing units as compared to the total number of available units within the assessment area.

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REPUBLIC FIRST BANK PHILADELPHIA COUNTY ASSESSMENT AREA HOUSING PROFILE BY GEOGRAPHY			
Type of Geography	Total Units	Owner-Occupancy	Percent Owner-Occupied
Low-Income	138,203	56,551	41
Moderate-Income	252,512	148,934	59
Middle-Income	237,891	151,236	64
Upper-Income	46,293	17,219	37
All Geographies	674,899	373,940	55

The percentage of owner-occupied units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. As the following table indicates, the majority of owner-occupied housing units are located in the assessment area's moderate- and middle-income geographies.

PHILADELPHIA COUNTY ASSESSMENT AREA OWNER-OCCUPANCY DISTRIBUTION BY GEOGRAPHY		
Type of Geography	Number of Owner-Occupied Units	Percentage of All Owner-Occupied Units
Low-Income	56,551	15
Moderate-Income	148,934	40
Middle-Income	151,236	40
Upper-Income	17,219	5
All Geographies	373,940	100%

Source: Assessment Area In Depth 1990 Housing (HMDA Owner-Occupied Units)

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 Republic's Philadelphia County assessment area, 49% of small businesses are located in low- and moderate-income geographies.

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

PHILDELPHIA COUNTY ASSESSMENT AREA SMALL BUSINESS DISTRIBUTION BY GEOGRAPHY		
Type of Geography	Number of Small Businesses	Percent of Small Businesses
Low-Income	7,046	19
Moderate-Income	11,570	30
Middle-Income	13,735	36
Upper-Income	5,661	15
All Geographies	38,012	100%

Economic Characteristics

The city of Philadelphia is the fifth largest city in the nation. Philadelphia is faced with the same social and economic problems that challenge most urban centers. The City's population continued to decline, from 1.6 million in 1990 to 1.5 million at year-end 2000.

Manufacturing was Philadelphia's traditional economic base; however; due to plant closings, the majority of the local work force is now service-oriented, with health care being the most active segment of the economy. The largest employer in the MSA is government (including local, State, and Federal). The largest private sector employers in the MSA are the University of Pennsylvania, Jefferson Health Systems, Temple University, Verizon Communications, and Merck and Company. The banking environment in which Republic operates is highly competitive and dominated by large regional banking organizations, mortgage companies and aggressive community banks.

The economy of the Philadelphia MSA is deemed generally diverse, and not solely dependent on any one major industry or employer. Recently, the economy has slowed. Total employment growth is now lagging behind both state and national averages. Growth is being cut in nearly all industries, but the decline in the services industry is notable in that this industry has been driving the area's growth over the past several years. The February unemployment rate for the city of Philadelphia is high when compared to both the MSA and state unemployment levels.

	February 2002	February 2001
Philadelphia County	7.3%	6.4%
Philadelphia MSA	5.5%	4.2%
State of Pennsylvania	6.2%	5.1%

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In October 2000, the Consumer and Community Affairs Department of the Federal Reserve Bank of Philadelphia published a report titled “Community Profile for Lenders: Philadelphia County”. The report provides information and insights into the perceived credit needs and opportunities in Philadelphia. Information in the report was obtained from interviews and contacts with bankers, community organizations, and local government officials. The report also includes pertinent demographic and economic data regarding the city.

In the report, community leaders, when asked what credit needs existed in the assessment area, indicated: (1) affordable home improvement loan products; (2) down payment and closing cost assistance for first time homebuyers; (3) commercial and residential real estate development in the cities poorer neighborhoods; (4) branch banking services in low-income neighborhoods, particularly low cost checking accounts; and (5) technical assistance for small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PHILADELPHIA COUNTY ASSESSMENT AREA

LENDING TEST

Geographic Distribution

An analysis of the geographic distribution of loans was conducted in an effort to determine the dispersion of loans among different geographies within the bank's assessment area. The analysis reflects good penetration throughout the assessment area.

Home Mortgage Lending

Republic is not considered a major residential mortgage lender within the assessment area. According to 2000 aggregate HMDA data,⁴ 39,410 home mortgage loans were collectively originated by 418 financial institutions within Philadelphia County. Republic ranked 60th among these institutions with a market share of just 0.4%. Sovereign Bank ranked 1st with 6% of the market. First Union National Bank and PNC Bank, N.A., ranked 2nd and 3rd with 5% and 3% of the market, respectively.

An analysis of Republic's HMDA data reveals that the geographic distribution of loans reflects excellent penetration throughout the Philadelphia County assessment area, particularly in low- and moderate-income geographies. Using the number of owner-occupied housing units as a proxy for loan demand, the following table details Republic's percent of loans as a percent of housing units within each geography type.

⁴ 2000 is the most recent year for which aggregate HMDA data is available.

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PHILADELPHIA COUNTY ASSESSMENT AREA 2000 and 2001 HMDA LOANS GEOGRAPHIC DISTRIBUTION					
Type of Geography	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans/Percentage of Units
Low-Income	33	14	56,551	15	0.93
Moderate-Income	145	59	148,934	40	1.48
Middle-Income	38	16	151,236	40	0.40
Upper-Income	28	11	17,219	5	2.20
All Geographies	244	100%	373,940	100%	1.00

Geographic Distribution in Relation to Market Performance

As shown in the following table, a comparison of Republic's lending activity to the market shows that the bank performed better than the market in both low- and moderate-income geographies within the assessment area.

PHILADELPHIA COUNTY ASSESSMENT AREA MARKET COMPARISON OF GEOGRAPHIC DISTRIBUTION HMDA REPORTABLE LOANS PERCENT OF LOANS ORIGINATED		
Type of Geography	REPUBLIC FIRST BANK	MARKET 2000
Low-Income	14	11
Moderate-Income	59	39
Middle-Income	16	43
Upper-Income	11	7
All Geographies	100%	100%

For a discussion of additional efforts by the bank to address the credit needs of borrowers residing in low- and moderate-income geographies, see the Innovative and Flexible Lending Practices section of this Evaluation, which begins on page 21. Refer also to the Community Development Lending section on page 21 for a discussion of loans related to multi-family housing in low- and moderate-income geographies.

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Small Business Lending

The bank's geographic distribution of small business loans reflects good penetration throughout the Philadelphia County assessment area. In 2000 and 2001, Republic originated a total of 95 small business loans in an aggregate amount of \$17.3 million. A comparison of the number of small business loans originated in each type of geography to the number of small businesses located in each type of geography demonstrates the bank's commitment to making credit available to its entire community.

Business demographics revealed that there were a total of 38,012 small businesses within the assessment area. Republic's extension of credit to these businesses shows that low-income geographies received 19% of small business loans, while 18% of small businesses are located in these geographies. Moderate-income geographies received 14% of small business loans, while 30% of small businesses are located in these geographies. Middle-income geographies received 36% of small business loans for its 36% share of small businesses. Upper-income geographies received 31% of small business loans for their 16% share of small businesses.

Using the number of small businesses as a proxy for loan demand, the following table details Republic's percent of loans as a percent of small businesses within each geography type.

PHILADELPHIA COUNTY ASSESSMENT AREA 2000 and 2001 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/ Percentage of Small Businesses
Low-Income	18	19	7,046	19	1.00
Moderate-Income	13	14	11,570	30	0.47
Middle-Income	34	36	13,735	36	1.00
Upper-Income	30	31	5,661	15	2.06
All Geographies	95	100%	38,012	100%	1.00

Geographic Distribution in Relation to Market Performance

According to 2000 aggregate small business lending data⁵, a total of 14,156 small business loans were originated in Philadelphia County. Republic captured less than 1% of the total market. As shown in the following table, a comparison of Republic's lending activity to the market shows that the bank performed better than the market in low-income geographies, but well below the market in moderate-income geographies.

⁵ 2000 is the most recent year for which aggregate CRA small business data is available.

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PHILADELPHIA COUNTY ASSESSMENT AREA MARKET COMPARISON OF GEOGRAPHIC DISTRIBUTION SMALL BUSINESS LOANS PERCENT OF LOANS ORIGINATED		
Type of Geography	REPUBLIC FIRST BANK	MARKET 2000
Low-Income	19	16
Moderate-Income	14	30
Middle-Income	36	39
Upper-Income	31	15
All Geographies	100%	100%

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

Home Mortgage Lending

The adjusted annual median family incomes for the Philadelphia MSA for 2001 and 2000, as reported by HUD, are \$60,100 and \$57,800, 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)
2001	\$60,100	Less than \$30,050	\$30,050--\$48,079	\$48,080--\$72,119	\$72,120 or more
2000	\$57,800	Less than \$28,900	\$28,900--\$46,239	\$46,240--\$69,359	\$69,360 or more

An analysis of the distribution of loans among borrowers of different income levels shows minimal penetration among low-income borrowers and no penetration of moderate-income borrowers. This was determined to be primarily attributable to the lack of traditional residential mortgage products currently available at the institution. The vast majority of the loans reported by the bank were originated to real estate developers and investors for which the bank did not report income information.

For a discussion of the bank's loans for the purchase, refinance, or improvement of multi-family dwellings located in low- and moderate-income geographies within the city of Philadelphia, see the Community Development Lending section of this Evaluation, which begins on page 21. These multi-family dwellings provide affordable rental housing alternatives to low- and moderate-income individuals in the assessment area.

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In addition, in an effort to respond to the credit needs of low- and moderate-income borrowers, bank management has made community development investments that promote and support affordable housing initiatives for low- and moderate-income families in the assessment area. For additional discussion on these efforts, refer to the Investment Test section of this Evaluation, which begins on page 22.

The following table shows the income distribution for loans within the assessment area:

PHILADELPHIA COUNTY ASSESSMENT AREA 2000 AND 2001 HMDA LOANS DISTRIBUTION OF LOANS BY BORROWER INCOME LEVEL					
Income Level	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans/Percentage of Families
Low-Income	2	1	131,551	35	0.03
Moderate-Income	0	0	81,036	21	0.00
Middle-Income	2	1	83,898	22	0.05
Upper-Income	53	22	84,854	22	1.00
Borrower's income not available	187	76	0	0	N/A
All Borrowers	244	100%	381,339	100%	1.00

Borrower Income Distribution in Relation to Market Performance

Republic's HMDA data shows that its lending levels are not consistent with aggregate lending in the assessment area. The following table compares Republic's lending activity to market activity:

PHILADELPHIA COUNTY ASSESSMENT AREA MARKET COMPARISON OF THE DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME LEVEL PERCENT OF LOANS ORIGINATED		
Type of Geography	REPUBLIC FIRST BANK	MARKET 2000
Low-Income	1	27
Moderate-Income	0	27
Middle-Income	1	16
Upper-Income	22	14
Borrower's income not available	76	16
All Geographies	100%	100%

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Small Business Lending

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 good penetration among businesses of different sizes.

The number of small business loans originated by the bank in amounts of \$100 thousand or less is good. In general, smaller size loans are commensurate with the borrowing needs of smaller businesses. For Republic, 51% of small business loans were in amounts of \$100 thousand or less, indicating that the bank's lending activity is meeting the credit needs of smaller businesses in the Philadelphia County assessment area.

The following table shows the bank's small business loan originations, as reported for purposes of CRA, for calendar years 2000 and 2001.

PHILADELPHIA COUNTY ASSESSMENT AREA 2000 and 2001 SMALL BUSINESS LOANS				
	Number	Percent	\$000	Percent
Loans with original amounts of \$100,000 or less	48	51	2,072	12
Loans with original amounts of more than \$100,000 through \$250,000	23	24	4,265	25
Loans with original amounts of more than \$250,000 through \$1,000,000	24	25	10,940	63
Total Small Business Loans	95	100%	\$17,277	100%

The following table further quantifies 2000 and 2001 small business lending based upon the annual revenues of the businesses. Small business loans were analyzed to determine whether they were made to businesses with gross annual revenues of \$1 million or less. The distribution of loans reflects adequate penetration among business customers of different sizes in the assessment area.

PHILADELPHIA COUNTY ASSESSMENT AREA 2000 AND 2001 SMALL BUSINESS LOANS BUSINESS REVENUES				
	Number	Percent	\$000's	Percent
Loans to businesses with revenues of \$1 million or less	54	57	8,877	51
Loans to businesses with revenues of more than \$1 million	41	43	8,400	49
Total Small Business Loans	95	100%	\$17,277	100%

Community Development Lending

A review of community development lending activities revealed that the bank is a leader in making community development loans in the assessment area. During the period between examinations, the bank originated \$14.4 million in community development loans within its Philadelphia assessment area. Most of the loans were made to real estate developers and investors for the purchase, refinance, or improvement of multi-family dwellings located in low- and moderate-income geographies within the city of Philadelphia. These multi-family dwellings provide affordable rental housing alternatives to low- and moderate-income individuals while helping to stabilize the neighborhoods in which they were made.

In addition to the multi-family housing loans, Republic originated \$8.2 million in commercial loans for community development projects located in a government-designated Enterprise Zone and a Keystone Opportunity Zone in the city of Philadelphia. Four of these loans, aggregating \$5.1 million, were to acquire and renovate a vacant industrial site and surrounding properties located in a government-designated Enterprise Zone. The site is being developed into a residential and retail shopping area.

A fifth loan, totaling \$3.1 million, is to refinance existing debt and provide additional funds to cover costs to prepare a property, located in a Keystone Opportunity Zone, for construction. The project, in a joint effort with the Delaware River Port Authority, is being developed for both residential and business use.

Republic originated 17 additional community development loans, recognized in previous examinations, which remain outstanding. These loans, supporting both affordable housing and small business development within the bank's Philadelphia County assessment area, total \$4.5 million.

Innovative or Flexible Lending Practices

The examination revealed that the bank has made use of innovative and flexible lending practices to address the credit needs of its assessment area, including low- and moderate-income individuals and geographies. The bank participates in several lending programs sponsored by government agencies and local community development organizations, including:

- The Women's Opportunities Resource Center's (WORC) Bank Partnership Loan Program-established to promote social and economic self-sufficiency by providing non-conventional small business loans to disadvantaged women and their families. The loans, in amounts as small as \$2 thousand, are screened by WORC and referred to participating banks. During the review period, the bank originated eight loans totaling \$35 thousand through this program.

- The Philadelphia County Development Loan Fund-established to enhance the availability of small

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business financing in Philadelphia. The fund is designed to make small business loans with terms up to five years and in amounts ranging from \$5 to \$30 thousand. To be eligible, the business must operate in the city of Philadelphia and have less than \$1 million in sales. Interest rates for the loans are two percentage points above prime. To support this endeavor, funds were solicited from participating banks. Republic committed \$50 thousand to the loan fund. During the review period, the bank participated in four loans totaling \$55 thousand through this program. The bank's portion of the loans totaled approximately \$14 thousand.

- The Federal Home Loan Bank of Pittsburgh's (FHLB) Banking On Business Program (BOB) is aimed at helping small businesses start-up and expand, with a goal of promoting local economic growth by creating and retaining jobs and assisting member financial institutions in providing capital to under-served areas and under-served populations. FHLB member banks make loans to small business customers using a combination of their own financing and BOB funds. During the examination period, Republic funded two loans, totaling \$290 thousand through this program. Both loans were originated to small businesses located in moderate-income geographies in Philadelphia.

INVESTMENT TEST

Republic has an excellent level of qualified community development investments and grants. Occasionally the bank is in a leadership position, particularly for those investments not routinely provided by private investors. Performance under the investment test is assessed as outstanding.

Volume of Investment and Grant Activity

Since the previous examination, Republic made the following investments in the Philadelphia County assessment area:

- The bank acquired a targeted mortgage-backed security totaling \$499 thousand. The security contains six residential mortgage loans originated in low- or moderate-income geographies in the city of Philadelphia.
- The bank provided an \$8 thousand grant for operating expenses to the Philadelphia Community Development Loan Fund, a fund established to enhance the availability of small business financing in Philadelphia.

The bank also directs many of its grants and contributions to organizations that routinely provide affordable housing and community development services that benefit low- and moderate-income individuals and geographies in Philadelphia. During the period between examinations, the bank made approximately \$10 thousand in qualified charitable contributions in its Philadelphia assessment area.

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Republic holds five additional equity investments, recognized in previous examinations, which remain outstanding. These equity investments, supporting both affordable housing and small business development within the bank's assessment areas, total \$1.1 million.

In context of the bank's asset size and overall operating capacity, the present quantity (dollar volume) of investments is deemed excellent.

Responsiveness to Credit and Community Development Needs

Republic exhibits good responsiveness to credit and community economic development needs through the use of investments to support small business lending and affordable housing needs. Qualified investments are tailored to the needs of particular geographic areas and organizations. Specifically, a majority of the bank's investments promote affordable housing for low- and moderate-income families in the Philadelphia County assessment area.

New qualified investments total \$517 thousand. Of the total investments, approximately 96% supported affordable housing, 2% supported small businesses, and 2% supported community development services.

SERVICE TEST

Republic's performance under the service test is rated high satisfactory. Branch delivery systems, as well as alternative delivery systems such as ATMs, telephone and on-line banking, are reasonably accessible to essentially all portions of the bank's assessment areas. The bank offers retail services through eight full-service branch offices, with all branches offering ATMs.

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. Banking services are offered in a uniform and consistent manner among all branches.

Community Development Services

Republic provides a relatively high level of community development services, including the following:

- First Republic is a member of the Federal Home Loan Bank of Pittsburgh and an active participant in its Affordable Housing Program (AHP). The purpose of the AHP is to provide subsidies for: (1) projects that finance homeownership for households at 80% or below the area median income; or (2) projects financing rental housing where at least 20% of the units will be occupied by (and affordable for) households at 50% or below the area median income.

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Only member institutions of the FHLB can submit AHP applications. Therefore, nonprofit agencies, local governments, and community development organizations must obtain the support of member institutions to apply for AHP funds. In addition to sponsoring an application, Republic is responsible for monitoring the approved project and ensuring that it is consistent with the approved program objectives.

The bank is currently administering grants for two projects totaling \$195 thousand:

- On behalf of the People's Emergency Center Community Development Corporation, two housing projects: (1) The Rowan House, which will provide 20 units of transitional rental housing for homeless women and their families; and (2) Partnership Homes II, which will provide 9 homes for sale to low- or moderate income individuals being moved out of transitional housing. These projects received a total grant of \$145 thousand from AHP.
- On behalf of The Delaware Valley Housing Association Reinvestment Corporation, the bank financed the purchase and rehabilitation of 10 single-family homes in a low-income geography in West Philadelphia. This project received a grant of \$50 thousand from the AHP.

The bank also filed an application on behalf of Elon Group, Inc. for a grant to rehabilitate a dilapidated elementary school in a moderate-income census tract in Philadelphia. The project will create 39 apartments for the elderly, of which at least eight will be reserved for those with incomes of less than 40% of the median. The application requested a grant of \$117 thousand and is under consideration by the FHLB.

- Republic has partnered with the Women's Opportunity Resource Center (WORC) of Philadelphia in the Family Savings Account (FSA) Program, a matched savings program funded by the Pennsylvania Department of Economic and Community Development. Clients generally save \$10 to \$15 per week for two years. At the end of that period, account holders may use the accumulated savings, plus a 50% match from the state, for a specific, pre-determined use (small business funding, homeownership, home repair, advanced education or retirement.) The participating bank opens the FSA accounts, waives the standard fees, and provides account balance reports to the account holders and to WORC. To qualify for the program, depositors must meet income guidelines that effectively reserve the program for low- and moderate-income families. Since the inception of the program, the bank has opened 15 FSA accounts.
- Republic's employees conduct basic financial management training, including mortgage counseling and small business development training, for FSA account holders.
- A bank officer serves on WORC's Advisory Council and Loan Review Committee. The bank also provided temporary office space while WORC's new quarters were being renovated.

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- A bank officer serves on the Loan Committees of both the Montgomery County Micro-Loan Fund and the Philadelphia Micro-Loan Fund.
- Republic provides financial counseling to the South of South Neighborhood Association, a nonprofit corporation that serves as the Neighborhood Advisory Committee for three low-income geographies in south-central Philadelphia.
- The bank provides financial services in the form of no-fee bank accounts and financial management assistance to the Inner City Development Project, as well as providing financial counseling to individuals participating in the Project's housing program. A bank officer also serves on the board of this entity.
- Republic offers a free checking account (with available ATM service) in an effort to provide banking services to low- and moderate-income individuals. This account requires no minimum balance, allows unlimited check writing, and imposes no per-check charges.
- A bank officer serves as a board and audit committee member for the Community Lenders Community Development Corporation, under whose aegis 13 area banks provide affordable housing and service programs for low- and moderate-income individuals in Montgomery County.

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MONTGOMERY COUNTY ASSESSMENT AREA

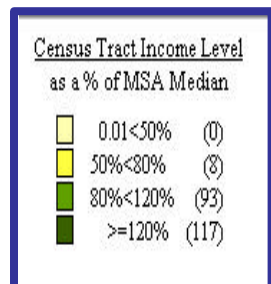
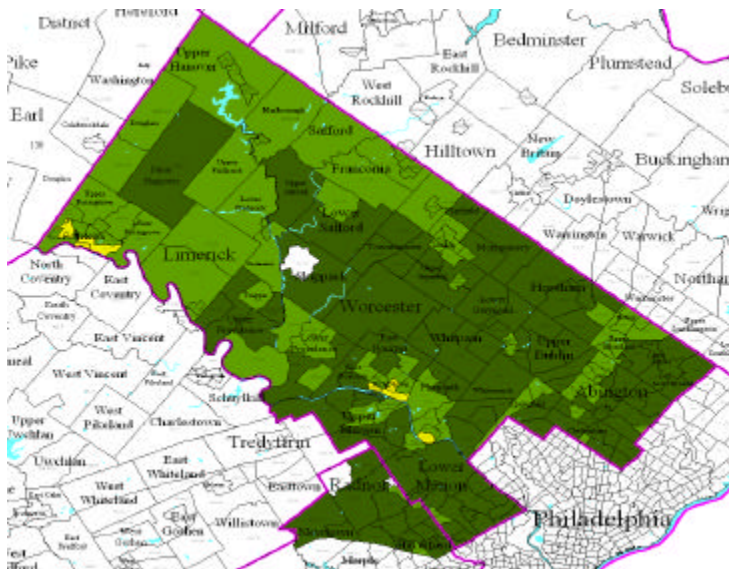
The bank's Montgomery County assessment area consists of 220 geographies, encompassing all of Montgomery County, and 19 adjacent geographies in northern Delaware County. The assessment area is situated in the western portion of the Philadelphia MSA and is generally characterized as suburban, with a significant number of residential areas.

As shown in the table, only 5% of the geographies within this assessment area are designated as low- or moderate-income and just 4% of the population resides within these geographies. Individuals living in institutional settings, including college dormitories, nursing homes and mental hospitals primarily populate these geographies.

The following table presents relevant demographic information:

MONTGOMERY COUNTY ASSESSMENT AREA DEMOGRAPHICS BY GEOGRAPHY				
Type of Geography	Number of Geographies	Percent	Population of Geographies	Percent
Low-Income	2	1	7,426	1
Moderate-Income	8	4	24,643	3
Middle-Income	93	42	299,362	40
Upper-Income	117	53	421,468	56
Total	220	100%	752,899	100%

Map of the Assessment Area



Median Family Income

According to 1990 Census Bureau statistics, the median family income for the assessment area is \$56,221, significantly higher than both the state and MSA median family incomes of \$34,856 and \$41,908, respectively. Of the total number of families in the assessment area, 25% are designated as low- or moderate-income. The substantial majority of these families (93%) live in the assessment area's middle- and upper-income geographies. Families living below the poverty level represented just 2% of the total families. The poverty rate for the Philadelphia MSA and the state is 8% of families.

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

MONTGOMERY COUNTY ASSESSMENT AREA DEMOGRAPHICS BY INCOME		
Type of Family	Number of Families	Percent
Low-Income	19,351	10
Moderate-Income	29,305	15
Middle-Income	47,032	23
Upper-Income	105,406	52
Total Families	201,094	100%

Housing

The assessment area contains 292,519 housing units, 70% of which are owner-occupied. Single family units comprise 56% of the housing units, while two-to-four family units comprise 24%. Multi-family units comprise 18% and mobile homes comprise 1%. The median housing value is \$162,195, compared to \$99,212 in the Philadelphia MSA and \$69,075 in the state. There is a significant disparity between the median housing value in the assessment area's upper-income geographies (\$209,895) and that of moderate-income geographies (\$69,287).⁶

The median gross rent is \$617 per month. Moreover, 35% of the assessment area's renters expend more than 30% of gross income for housing. These combined factors demonstrate the overall affluence of the Montgomery County assessment area. Notwithstanding such affluence, the assessment area's high housing costs present an obstacle to homeownership for the low- and moderate-income population segments. Interviews with community contacts support this conclusion, noting that there is a lack of affordable housing in the assessment area, especially for first-time homebuyers.

⁶ There are just 21 owner-occupied housing units in the assessment area's two low-income geographies. Census data does not provide a median housing value for these units.

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The following chart shows the number of owner-occupied housing units compared to the total number of available units within the assessment area.

MONTGOMERY COUNTY ASSESSMENT AREA HOUSING PROFILE BY GEOGRAPHY			
Type of Geography	Total Units	Owner-Occupancy	Percent Owner-Occupied
Low-Income	25	21	84
Moderate-Income	11,061	4,996	45
Middle-Income	120,424	77,129	64
Upper-Income	161,009	122,447	76
All Geographies	292,519	204,593	70

The percentage of owner-occupied units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. As the following table indicates, the vast majority of owner-occupied housing units are located in the assessment area's middle- and upper-income geographies.

MONTGOMERY COUNTY ASSESSMENT AREA OWNER-OCCUPANCY DISTRIBUTION BY GEOGRAPHY		
Type of Geography	Number of Owner-Occupied Units	Percentage of All Owner-Occupied Units
Low-Income	21	Negligible
Moderate-Income	4,996	2
Middle-Income	77,129	38
Upper-Income	122,447	60
All Geographies	204,593	100%

Source: Assessment Area In Depth 1990 Housing (HMDA Owner-Occupied Units)

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 Republic's Montgomery County assessment area, approximately 4% of the assessment area's small businesses are located in the moderate-income geographies. No small businesses are located in the low-income geographies. The substantial majority of small businesses are located in middle- and upper-income geographies.

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

MONTGOMERY COUNTY ASSESSMENT AREA SMALL BUSINESS DISTRIBUTION BY GEOGRAPHY		
Type of Geography	Number of Small Businesses	Percent of Small Businesses
Low-Income	0	0
Moderate-Income	1,387	4
Middle-Income	13,604	37
Upper-Income	21,527	59
All Geographies	36,518	100%

Economic Characteristics

The Montgomery County assessment area is located entirely within the Philadelphia MSA and, as such, the bank's local market economy is greatly dependent upon the economic vitality of the City of Philadelphia. The economy of the Philadelphia MSA is deemed generally diverse, and not solely dependent on any one major industry or employer. The area's economy is buffered by its smaller exposure to manufacturing than in the rest of the state and by a more favorable mix of manufacturing industries.

In addition, the hi-tech industries on the Route 202 corridor have contributed to the area's growth. The largest employer in the MSA is government (including local, State, and Federal). The largest private-sector employers in the MSA are the University of Pennsylvania, Jefferson Health Systems, Temple University, Verizon Communications and Merck & Company. The banking environment in which Republic operates is highly competitive and dominated by large regional banking organizations and aggressive community banks.

Before the September 11th attack on the World Trade Center, the MSA's economy was showing some improvement, despite a general slowdown statewide. Although the overall impact on the area's economy from the attack has been moderate, the fallout is resulting in a substantial deterioration in tourist and business traffic, and cancellation of events, which exacerbated the already weakening condition brought about by the slowing economy. The suburban market, which relies more on business travel to area companies than meetings and conventions, is also weakening slightly. Despite these near term disruptions to travel, convention and tourism is expected to be a long-term growth driver for the metro area.

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Unemployment rates in Montgomery and Delaware counties have risen moderately over the past year, but remain below both MSA and state unemployment rates. The unemployment rates for the two counties, as well as rates for the MSA and the state, are presented in the following table:

	February 2002	February 2001
Montgomery County	4.8%	3.3%
Delaware County	5.0%	3.8%
Philadelphia MSA	5.5%	4.2%
State of Pennsylvania	6.2%	5.1%

In October 2000, the Consumer and Community Affairs Department of the Federal Reserve Bank of Philadelphia published a report titled “Community Profile for Lenders: Bucks, Chester, Delaware, Montgomery and Philadelphia Counties.” The report provides information and insights into the perceived credit needs and opportunities in the Pennsylvania portion of the Philadelphia MSA. Information in the report was obtained from interviews and contacts with bankers, community organizations, and local government officials.

In the report, community leaders, when asked what credit needs existed in the assessment area, indicated a need for: (1) checking and savings accounts priced for low- and moderate-income families; (2) first time homebuyer loan programs for low- and moderate-income families; and (3) operational funding for area non-profits and community development organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MONTGOMERY COUNTY ASSESSMENT AREA

LENDING TEST

Geographic Distribution

Small Business Lending

During the examination period, Republic originated 73 small business loans aggregating \$8.4 million. A comparison of the number of small business loans in each type of geography to the number of small businesses located in each type of geography demonstrates the bank’s commitment to making credit available to its entire community.

Business demographics revealed that there were a total of 36,518 small businesses within the Montgomery County assessment area. Republic’s extension of credit to these businesses shows that moderate-income geographies received 6% of small business loans, while 4% of small businesses are located in these geographies. Middle-income geographies received 26% of small business loans for their 37% share of small businesses. Upper-income geographies received 68% of small business loans for their 59% share of small businesses. There were no loans originated in low-income geographies, as no small businesses are located in these geographies.

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The bank's geographic distribution of small business loans reflects good penetration throughout the assessment area, particularly in moderate-income geographies. Using the number of small businesses as a proxy for loan demand, the following table details Republic's percent of loans as a percent of small businesses within each geography type.

MONTGOMERY COUNTY ASSESSMENT AREA 2000 and 2001 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/Percentage of Small Businesses
Low-Income	0	0	0	0	0.00
Moderate-Income	4	6	1,387	4	1.50
Middle-Income	19	26	13,604	37	0.70
Upper-Income	50	68	21,527	59	1.15
All Geographies	73	100%	36,518	100%	1.00

Geographic Distribution in Relation to Market Performance

According to 2000 aggregate small business lending data, a total of 18,728 small business loans were originated in the assessment area. Republic captured 0.2% of the total market. As shown in the following table, a comparison of Republic's lending activity to the market shows that the bank performed better than the market in moderate-income geographies.

MONTGOMERY COUNTY ASSESSMENT AREA MARKET COMPARISON OF THE GEOGRAPHIC DISTRIBUTION SMALL BUSINESS LOANS PERCENT OF LOANS ORIGINATED		
Type of Geography	REPUBLIC FIRST BANK	MARKET 2000
Low-Income	0	0
Moderate-Income	6	2
Middle-Income	26	36
Upper-Income	68	62
All Geographies	100%	100%

Home Mortgage Lending

Republic is not considered a major residential mortgage lender within the Montgomery County assessment area. In that the bank engages in such lending largely on an accommodation basis to its commercial customers, the limited lending penetrations are not considered significant for purposes of this evaluation.

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According to 2000 aggregate HMDA data, 31,123 home mortgage loans were collectively originated by 479 financial institutions within the assessment area. Republic ranked 293rd among these institutions with a negligible market share. Chase Manhattan Mortgage, Sovereign Bank, First Union National Bank, and Countrywide Home Loans ranked 1st through 4th, each with approximately 4% of the market.

For a discussion of the bank's efforts to address the credit needs of low- and moderate-income borrowers residing in its Montgomery County assessment area, refer to Community Development Lending, Innovative and Flexible Lending Practices and the Investment Test later in this Evaluation.

The following table shows the geographic distribution of the bank's home mortgage lending activity for 2000 and 2001.

MONTGOMERY COUNTY ASSESSMENT AREA 2000 and 2001 HMDA LOANS GEOGRAPHIC DISTRIBUTION					
Type of Geography	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans/Percentage of Units
Low-Income	0	0	21	Negligible	0.00
Moderate-Income	1	25	4,996	2	12.50
Middle-Income	1	25	77,129	38	0.65
Upper-Income	2	50	122,447	60	0.83
All Geographies	4	100%	204,593	100%	1.00

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

An analysis of small business and HMDA lending data, in conjunction with a review of demographic and economic characteristics of the assessment area was conducted to ascertain the extent of lending to businesses of different sizes and borrowers of different incomes.

Small Business Lending

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

The number of small business loans originated by the bank in amounts of \$100 thousand or less is good. In general, smaller size loans are commensurate with the borrowing needs of smaller businesses. For Republic, 67% of small business loans were in amounts of \$100 thousand or less, showing that the bank's lending activity is meeting the credit needs of smaller businesses in its assessment area.

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The following table details the bank's small business loan originations, as reported for purposes of CRA, for calendar years 2000 and 2001.

MONTGOMERY COUNTY ASSESSMENT AREA 2000 AND 2001 SMALL BUSINESS LOANS				
	Number	Percent	\$000	Percent
Loans with original amounts of \$100,000 or less	49	67	1,490	18
Loans with original amounts of more than \$100,000 through \$250,000	15	21	2,815	34
Loans with original amounts of more than \$250,000 through \$1,000,000	9	12	4,041	48
Total Small Business Loans	73	100%	\$8,346	100%

The following table further quantifies 2000 and 2001 small business lending based upon the annual revenues of the businesses. Small business loans were analyzed to determine whether they were made to businesses with gross annual revenues of \$1 million or less. The distribution of loans reflects good penetration among business customers of different sizes in the assessment area.

MONTGOMERY COUNTY ASSESSMENT AREA 2000 and 2001 SMALL BUSINESS LOANS BUSINESS REVENUES				
	Number	Percent	\$000's	Percent
Loans to businesses with revenues of \$1 million or less	56	77	5,137	62
Loans to businesses with revenues of more than \$1 million	17	23	3,209	38
Total Small Business Loans	73	100%	\$8,346	100%

Home Mortgage Lending

As discussed previously in this evaluation, Republic is not considered a major residential mortgage lender within the Montgomery County assessment area and the limited lending penetrations are not considered significant for purposes of this evaluation.

The adjusted annual median family incomes in the Philadelphia MSA for 2001 and 2000, as reported by HUD, are \$60,100 and \$57,800, respectively. The following table categorizes the dollar amounts recognized as low-, moderate-, middle- and upper-income, predicated upon adjusted median family income measures.

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Year	HUD-Adjusted Median Family Income	Low Income (<50%)	Moderate Income (50%-79%)	Middle Income (80%-119%)	Upper Income (120% or Greater)
2001	\$60,100	Less than \$30,050	\$30,050--\$48,079	\$48,080--\$72,119	\$72,120 or more
2000	\$57,800	Less than \$28,900	\$28,900--\$46,239	\$46,240--\$69,359	\$69,360 or more

The following table shows the distribution of Republic's loans to borrowers of different levels within the Montgomery County assessment area:

MONTGOMERY COUNTY ASSESSMENT AREA 2000 and 2001 HMDA LOANS BORROWER INCOME DISTRIBUTION					
Income Level	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans/Percentage of Families
Low-Income	0	0	19,351	10	0.00
Moderate-Income	0	0	29,305	15	0.00
Middle-Income	0	0	47,032	23	0.00
Upper-income	1	25	105,406	52	0.48
Borrower's income not available	3	75	0	0	N/A
All Borrowers	4	100%	201,094	100%	1.00

Community Development Lending

A review of community development lending activities revealed that the bank has made an adequate level of community development loans. During the period between examinations, the bank originated \$1.4 million in community development loans within its Montgomery County assessment area. The loans were made to a non-profit organization that develops multi-family housing for disabled, low- and moderate-income residents in Montgomery and Delaware Counties. These multi-family dwellings provide affordable rental housing alternatives to these low- and moderate-income individuals.

Innovative or Flexible Lending Practices

The examination revealed that the bank has made use of innovative and flexible lending practices to address the credit needs of its assessment area, including low- and moderate-income individuals and geographies. The bank participates in several lending programs sponsored by local community development organizations, including:

- A loan pool established and managed by the Community Lenders Community Development Corporation (CLCDC), a community development corporation formed by 13 area banks. CLCDC focuses on fostering community revitalization through the financing of affordable housing for low- and moderate-income individuals and geographies in Montgomery and Bucks Counties. To support this endeavor, funds were solicited from participating banks. Republic committed \$250 thousand to the CLCDC loan pool. During the review period, the bank participated in seven loans, with the bank's share of the loans totaling approximately \$94 thousand.
- The Montgomery Community Development Loan Fund-established to enhance the availability of small business financing in Montgomery County. The fund is designed to make small business loans with terms up to five years and in amounts ranging from \$5 to \$30 thousand. To be eligible, the business must operate in Montgomery County and have less than \$1 million in sales. Interest rates for the loans are fixed at two percentage points above prime. To support this endeavor, funds were solicited from participating banks. Republic committed \$25 thousand to the loan fund. During the review period, the bank participated in 15 loans totaling \$375 thousand.

INVESTMENT TEST

Republic has a significant level of qualified community development investments and grants. Occasionally the bank was in a leadership position, particularly for those investments not routinely provided by private investors. Performance under the investment test is assessed as outstanding.

Volume of Investment and Grant Activity

Since the previous examination, the bank has made the following qualified community development investments and grants:

- Republic made a \$10 thousand investment in Community Lenders Community Development Corporation, a community development organization with a primary focus on financing affordable housing for low- and moderate-income persons and geographies. The \$10 thousand investment is the second and third of three \$5 thousand payments over a three-year period, for a total investment of \$15 thousand.

REPUBLIC FIRST BANK

- Republic made a \$55 thousand investment in a Montgomery County Municipal Bond. The security contains four residential mortgage loans originated to moderate-income borrowers in Montgomery County.
- Republic renewed a \$20 thousand investment in The Reinvestment Fund (formerly the Delaware Valley Community Reinvestment Fund), which provides extensive financial and technical support and assistance to community development initiatives throughout the Philadelphia MSA.
- Republic provided a \$5 thousand grant toward the operating expenses of the Montgomery County Community Development Loan Fund, a fund established to enhance the availability of small business financing in Montgomery County.

The bank also directs many of its grants and contributions to organizations that routinely provide affordable housing and community development services that benefit low- and moderate-income individuals and geographies in Montgomery County. During the period between examinations, the bank made approximately \$5 thousand in qualified charitable contributions in the assessment area.

Republic holds five additional equity investments, recognized in previous examinations, which remain outstanding. These equity investments, supporting both affordable housing and small business development within the bank's assessment areas, total \$1.1 million.

In context of the bank's asset size and overall operating capacity, the present quantity (dollar volume) of investments is excellent.

Use of Innovative and Complex Investments to Support Community Development Initiatives

Republic makes use of innovative and complex investments to support community development initiatives, specifically its continued role as a founding member of the Community Lenders Community Development Corporation.

Responsiveness to Credit and Community Development Needs

Republic exhibits good responsiveness to credit and community economic development needs through the use of investments to support small business lending and affordable housing needs. Qualified investments are tailored to the needs of particular geographic areas and organizations. Specifically, a large majority of the bank's investments promote affordable housing for low- and moderate-income families in Montgomery County, an area where high housing and rental costs present an obstacle to homeownership for the low- and moderate-income segment of the population.

New qualified investments total \$95 thousand. Of the total investments, approximately 90% support affordable housing, 5% support small businesses, and the remaining 5% support community development services.

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SERVICE TEST

Republic's performance under the service test is rated high satisfactory. Branch delivery systems, as well as alternative delivery systems such as ATMs, telephone and on-line banking, are reasonably accessible to essentially all portions of the bank's assessment area. The bank offers retail services through eight full-service branch offices, with all branches offering ATMs.

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. Banking services are offered in a uniform and consistent manner among all branches.

Community Development Services

Republic provides a relatively high level of community development services, including the following:

- A bank officer serves on the Loan Committees of both the Montgomery County Micro-Loan Fund and the Philadelphia Micro-Loan Fund.
- Republic offers a free checking account (with available ATM service) in an effort to provide banking services to low- and moderate-income individuals. This account requires no minimum balance, allows unlimited check writing, and imposes no per-check charges.
- A bank officer serves as a board and audit committee member for the Community Lenders Community Development Corporation, under whose aegis 13 area banks provide affordable housing and service programs for low- and moderate-income individuals in Montgomery County.

APPENDIX**GEOGRAPHIC DISTRIBUTION****Philadelphia County Assessment Area****Home Mortgage Loans**

GEOGRAPHIC DISTRIBUTION 2000 HMDA LOANS NUMBER AND DOLLAR AMOUNTS OF LOANS				
TYPE OF GEOGRAPHY	Number	Percent	\$000's	Percent
Low-Income	18	10	1,146	7
Moderate-Income	123	71	5,962	34
Middle-Income	20	12	4,873	28
Upper-Income	13	7	5,434	31
All Geographies	174	100%	\$17,415	100%

GEOGRAPHIC DISTRIBUTION 2001 HMDA LOANS NUMBER AND DOLLAR AMOUNTS OF LOANS				
TYPE OF GEOGRAPHY	Number	Percent	\$000's	Percent
Low-Income	15	22	1,159	6
Moderate-Income	22	31	2,119	12
Middle-Income	18	26	5,324	29
Upper-Income	15	21	9,494	53
All Geographies	70	100%	\$18,096	100%

REPUBLIC FIRST BANK

Small Business Loans

GEOGRAPHIC DISTRIBUTION 2000 SMALL BUSINESS LOANS NUMBER AND DOLLAR AMOUNTS OF LOANS				
Type of Geography	Number	Percent	\$000's	Percent
Low-Income	9	24	723	11
Moderate-Income	5	13	982	14
Middle-Income	10	26	3,267	48
Upper-Income	14	37	1,820	27
All Geographies	38	100%	\$6,792	100%

GEOGRAPHIC DISTRIBUTION 2001 SMALL BUSINESS LOANS NUMBER AND DOLLAR AMOUNTS OF LOANS				
Type of Geography	Number	Percent	\$000's	Percent
Low-Income	9	16	1,961	19
Moderate-Income	8	14	249	2
Middle-Income	24	42	5,846	56
Upper-Income	16	28	2,429	23
All Geographies	57	100%	\$10,485	100%

DISTRIBUTION OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS**Home Mortgage Loans**

DISTRIBUTION OF 2000 HMDA LOANS BY BORROWER INCOME LEVEL NUMBER AND DOLLAR AMOUNTS OF LOANS				
TYPE OF BORROWER	Number	Percent	\$000's	Percent
Low-Income	1	1	31	Negligible
Moderate-Income	0	0	0	0
Middle-Income	2	1	220	1
Upper-Income	35	20	2,030	12
Borrower's income not available	136	78	15,134	87
All Borrowers	174	100%	\$17,415	100%

REPUBLIC FIRST BANK

DISTRIBUTION OF 2001 HMDA LOANS BY BORROWER INCOME LEVEL NUMBER AND DOLLAR AMOUNTS OF LOANS				
TYPE OF BORROWER	Number	Percent	\$000's	Percent
Low-Income	1	1	625	3
Moderate-Income	0	0	0	0
Middle-Income	0	0	0	0
Upper-Income	18	26	1,744	10
Borrower's income not available	51	73	15,727	87
All Borrowers	70	100%	\$18,096	100%

GEOGRAPHIC DISTRIBUTION
Montgomery County Assessment Area
Home Mortgage Loans

GEOGRAPHIC DISTRIBUTION 2000 HMDA LOANS NUMBER AND DOLLAR AMOUNT OF LOANS				
TYPE OF GEOGRAPHY	Number	Percent	\$000's	Percent
Low-Income	0	0	0	0
Moderate-Income	0	0	0	0
Middle-Income	1	33	115	11
Upper-Income	2	67	941	89
All Geographies	3	100%	\$1,056	100%

GEOGRAPHIC DISTRIBUTION 2001 HMDA LOANS NUMBER AND DOLLAR AMOUNT OF LOANS				
TYPE OF GEOGRAPHY	Number	Percent	\$000's	Percent
Low-Income	0	0	0	0
Moderate-Income	1	100	110	100
Middle-Income	0	0	0	0
Upper-Income	0	0	0	0
	1	100%	\$110	100%

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GEOGRAPHIC DISTRIBUTION 2001 HMDA LOANS NUMBER AND DOLLAR AMOUNT OF LOANS				
All Geographies				

Small Business Loans

GEOGRAPHIC DISTRIBUTION 2000 SMALL BUSINESS LOANS NUMBER AND DOLLAR AMOUNT OF LOANS				
Type of Geography	Number	Percent	\$000's	Percent
Low-Income	0	0	0	0
Moderate-Income	2	5	280	6
Middle-Income	11	28	987	19
Upper-Income	27	67	3,832	75
All Geographies	40	100%	\$5,099	100%

GEOGRAPHIC DISTRIBUTION 2001 SMALL BUSINESS LOANS NUMBER AND DOLLAR AMOUNT OF LOANS				
Type of Geography	Number	Percent	\$000's	Percent
Low-Income	0	0	0	0
Moderate-Income	2	6	7	Negligible
Middle-Income	8	24	685	21
Upper-Income	23	70	2,555	79
All Geographies	33	100%	\$3,247	100%

REPUBLIC FIRST BANK

DISTRIBUTION OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS**Home Mortgage Loans**

DISTRIBUTION OF 2000 HMDA LOANS BY BORROWER INCOME LEVEL NUMBER AND DOLLAR AMOUNTS OF LOANS				
TYPE OF BORROWER	Number	Percent	\$000's	Percent
Low-Income	0	0	0	0
Moderate-Income	0	0	0	0
Middle-Income	0	0	0	0
Upper-Income	1	33	276	26
Borrower's income not available	2	67	780	74
All Borrowers	3	100%	\$1,056	100%

DISTRIBUTION OF 2001 HMDA LOANS BY BORROWER INCOME LEVEL NUMBER AND DOLLAR AMOUNTS OF LOANS				
TYPE OF BORROWER	Number	Percent	\$000's	Percent
Low-Income	0	0	0	0
Moderate-Income	0	0	0	0
Middle-Income	0	0	0	0
Upper-Income	0	0	0	0
Borrower's income not available	1	100	110	100
All Borrowers	1	100%	\$110	100%

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA 2000								
LOAN TYPE	Inside				Outside			
	#	%	\$000's	%	#	%	\$000's	%
HMDA	177	93	\$18,471	74	13	7	\$6,598	26
Small Business	78	78	\$11,891	71	22	22	\$4,775	29
Total Loans	255	88	\$30,362	73	35	12	\$11,373	27

REPUBLIC FIRST BANK

LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA								
2001								
	Inside				Outside			
LOAN TYPE	#	%	\$000's	%	#	%	\$000's	%
HMDA	71	97	\$18,206	77	2	3	\$5,400	23
Small Business	90	85	\$13,732	88	16	15	\$1,830	12
Total Loans	161	90	\$31,938	82	18	10	\$7,230	18