

PUBLIC DISCLOSURE

August 18, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PATRIOT BANK
RSSD – 133270
POTTSTOWN, 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 RATING

INSTITUTION'S CRA RATING

Patriot Bank is rated **OUTSTANDING**.

TABLE OF PERFORMANCE TEST RATINGS

The following table indicates the performance level of Patriot 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 in determining the overall rating.

SUMMARY OF MAJOR FACTORS SUPPORTING RATING

- A substantial majority of the bank's loans were made inside its assessment areas;
- The geographic distribution of loans reflects excellent penetration throughout the assessment areas;
- The distribution of borrowers, given the product lines offered by the bank, reflects good penetration among retail customers of different income levels and excellent 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 has made an adequate level of community development loans;
- The bank has a significant level of qualified community development investments and grants; and
- The bank provides a significant level of community development services.

INSTITUTION

DESCRIPTION OF INSTITUTION

Patriot Bank (Patriot), headquartered in Pottstown, Montgomery County, Pennsylvania, is state chartered as a full-service commercial bank. Through 17 branch locations in southeastern Pennsylvania, the bank offers a variety of consumer and commercial banking services. The bank is a subsidiary of Patriot Bancorp, a \$1 billion bank holding company also headquartered in Pottstown.

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

Metropolitan Area	County	Number of Branches
Philadelphia MSA	Montgomery County	2
Philadelphia MSA	Chester County	1
Reading MSA	Berks County	6
Allentown-Bethlehem-Easton MSA	Lehigh County	4
Allentown-Bethlehem-Easton MSA	Northampton County	4
Total Branches		17

As of June 30, 2003, Patriot reported total assets of \$1 billion, of which \$600 million, or 60%, were loans and leases. On a dollar volume basis, loans secured by residential property is the most material product offered by the bank. The second most significant product is commercial loans, which include commercial mortgages and commercial and industrial loans.

LOANS as of 06/30/2003	\$000	%
Real Estate Secured		
Construction & Land Development	57,528	10%
Secured by Residential Property (Open-End)	36,087	6%
Secured by Residential Property (Closed-End)	217,498	36%
Multi-Family Property	21,206	4%
Commercial Mortgages	138,230	23%
Commercial and Industrial	43,748	7%
Consumer Loans	7,740	1%
Other Loans	477	Negligible
Lease Financing	77,418	13%
GROSS LOANS	\$599,932	100%

Source: Consolidated Report of Income for the period ending June 30, 2003 (pages 11 and 12)

DESCRIPTION OF ASSESSMENT AREA

For purposes of CRA, Patriot has designated three assessment areas in Pennsylvania:

1. The Reading assessment area consists of all of Berks County, which encompasses the entire Reading MSA.
2. The Lehigh Valley assessment area consists of all of Lehigh and Northampton counties located in the Allentown-Bethlehem-Easton MSA.
3. The ChesMont assessment area consists of all of Montgomery and Chester counties located in the Philadelphia MSA.

The bank's assessment areas were determined to comply with the requirements of the Community Reinvestment Act and do not arbitrarily exclude low- and moderate-income geographies. The bank's asset size and financial condition indicate that it has the ability to effectively meet the credit needs of its assessment areas. There are no legal or other impediments that would hamper the bank's ability to meet community credit needs.

SCOPE OF EXAMINATION

The examination of Patriot's CRA performance was evaluated for the period from November 7, 2000 through August 18, 2003. 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. 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.

Patriot's HMDA-related loans and small business loans were compared to the aggregate of all lenders in the bank's assessment areas reporting HMDA-related loans pursuant to HMDA, and small business loans pursuant to CRA. This data is reported annually, and the most recent year for which information was available is 2001.

For purposes of evaluating the geographic distribution of loans, geographies were classified on the basis of 1990 U.S. Census data for loans originated in the years 2001 and 2002. Loans originated in 2003 were classified on the basis of 2000 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). The most recent year for which family income data was available is 2003.

Written documentation of interviews conducted with community representatives, prepared by the Federal Reserve and other regulatory agencies, were reviewed during the course of the evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Performance under the lending test is assessed as outstanding.

Lending Activity

Bank lending levels reflect good responsiveness to assessment area credit needs. As of June 30, 2003, net loans represented 60% of total assets, unchanged from the previous CRA examination. The bank's national peer group average was 65%.¹ The following table is a summary of Patriot's lending activity for the period reviewed.

EXHIBIT 1				
Summary of Lending Activity				
Loan Type	#	%	\$ ('000s)	%
HMDA home purchase	1,913	41	215,798	52
HMDA refinancings	1,624	35	133,845	32
HMDA home improvement	636	14	14,060	3
HMDA multifamily	10	*	2,746	1
Total HMDA-related	4,183	90	366,449	88
Total small business	461	10	47,729	12
Total Loans	4,644	100	414,178	100

Assessment Area Concentration

An analysis was performed to determine the volume of loans extended inside and outside of the bank's assessment areas. The analysis consisted of an evaluation of the bank's HMDA-related loans and small business loans. As the following table illustrates, a substantial majority of the bank's loans were made within the assessment areas.

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

EXHIBIT 2								
Lending Inside and Outside the Assessment Areas								
	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
HMDA home purchase	987	--	105,265	--	224	-	25,256	--
HMDA refinancings	1,276	--	142,382	--	123	-	12,980	--
HMDA home improvement	214	--	6,072	--	23	--	833	--
HMDA multifamily	57	--	9,558	--	5	--	1,021	--
Total HMDA-related	2,534	87	263,277	87	375	13	40,090	13
Total small business	580	88	65,040	83	82	12	13,382	17
Total Loans	3,114	87	328,317	86	457	13	53,472	14

Patriot's loan-to-deposit ratio measured 97% as of June 30, 2003, compared to a 101% ratio at the previous evaluation. The bank's peer group average was 82% as of June 30, 2003.

Commercial Loans

An analysis of the distribution of loans to businesses determined that 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. 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. 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 Businesses and Small Farms) of the bank's Consolidated Reports of Condition and Income as of June 30, 2003, indicates that 95% of commercial loans were designated as small business loans, as detailed in the following chart.

PATRIOT BANK		
COMMERCIAL LOAN PORTFOLIO		
	AMOUNT OUTSTANDING AS OF 6/30/2003 (\$000)	PERCENT
Loans with original amounts of \$100,000 or less	\$31,845	18%
Loans with original amounts of more than \$100,000 through \$250,000	\$57,981	32%
Loans with original amounts of more than \$250,000 through \$1,000,000	\$82,723	45%
TOTAL SMALL BUSINESS LOANS	\$172,549	95%
Loans with original amounts of greater than \$1,000,000	\$9,429	5%
Total Commercial Loans	\$181,978	100%

Geographic Distribution of Lending and Borrower Characteristics

The geographic distribution of loans reflects excellent penetration throughout the assessment areas. The overall distribution of loans among borrowers of different income levels, especially low- and moderate-income families, shows good penetration given the economics and demographics of the assessment areas. The geographic distribution of small business loans reflects excellent penetration. Additionally, the distribution of loans among businesses of different sizes also reflects excellent penetration.

The bank's use of innovative and flexible lending practices enhanced both its HMDA and small business lending profiles. In addition, the bank has made an adequate level of community development loans in each of its three assessment areas. During the period between evaluations, Patriot originated 27 loans totaling \$3.1 million. These loans were primarily for the purchase, refinance, or improvement of multi-family dwellings located in low- and moderate-income geographies in the bank's assessment areas.

INVESTMENT TEST

Performance under the investment test is assessed as high satisfactory.

Patriot has a significant level of qualified community development investments and grants. Investments, totaling \$3.1 million, mainly support affordable housing and community development services in the bank's three assessment areas. In context of the bank's asset size and overall operating capacity, the present dollar volume of investments is significant. Of the bank's total investments, 18% were attributed to the Reading assessment area, 38% to the Lehigh Valley assessment area, and 44% to the ChesMont assessment area.

SERVICE TEST

Patriot's performance under the service test is rated high satisfactory.

Branch delivery systems, as well as alternative delivery systems such as ATMs, and telephone and on-line banking, are reasonably accessible to essentially all portions of the bank's assessment areas. The bank's record of opening and closing branches has not impacted the accessibility of its delivery systems in low- and moderate-income geographies and to low- or moderate-income individuals. Banking services do not vary in a way that inconveniences certain portions of Patriot's assessment areas, particularly low- and moderate-income geographies or low- or moderate-income individuals.

Patriot provides a relatively high level of community development services, including deposit 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 numerous 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.

FULL REVIEW ASSESSMENT AREA CONCLUSIONS

READING ASSESSMENT AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS

The bank's Reading assessment area comprises 76 geographies in Berks County, encompassing the entire Reading MSA. Of the total 76 geographies in the assessment area, five are designated as low-income. Four of the five low-income geographies are located in the city of Reading. The fifth low-income geography is located in a more rural area of Berks County and contains little population. Overall, 4% of the assessment area's population resides within low-income geographies.

The Reading assessment area also contains 15 moderate-income geographies. All 15 of these geographies are located in the city of Reading and 12% of the assessment area's population resides within these geographies.

Patriot's performance in the Reading assessment area was evaluated in terms of the demographic and business context in which the bank operates. According to the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits as of June 30, 2002², there were 19 depository institutions operating in the Reading MSA. These 19 institutions maintained a total of 130 branches holding \$5.3 billion in deposits. As of June 30, 2002, Patriot operated three of these branches with \$130 million in deposits, or 25% of the bank's total deposits. The bank ranked ninth in the Reading MSA, controlling 2.4% of the retail deposit market share.

Patriot's HMDA-related home mortgage loans were compared to the aggregate of all lenders in the Reading MSA reporting real estate loans pursuant to HMDA. This data is reported annually, and the most recent year for which information is available is 2001, when there were a total of 328 HMDA reporters. According to 2001 data, Patriot is the 15th largest HMDA loan originator in the Reading MSA with 2.2% of all such loan originations and purchases. Chase Manhattan Mortgage ranked first with 6.5% of the market and Sovereign Bank ranked second with 6.4%. Among small business lenders operating in the Reading MSA, Patriot ranks 18th with 1% of the market. GE Capital Financial, Inc., and MBNA America (Delaware), N.A. ranked 1st and 2nd with 14% and 13% of the market, respectively. There were a total of 72 small business reporters in the Reading MSA in 2001.

² June 30, 2002 is the most recent date for which FDIC deposit data is available.

ECONOMIC CHARACTERISTICS

The economy in the Reading area continues to contract, led by declines in manufacturing employment. The manufacturing industry in the Reading MSA is highly concentrated in the computer and electronics, steel, transportation, and food industries. The area also maintains a heavy concentration in durable goods manufacturing. Employment stability in the health care industry, and to lesser extent the retail industry, has offset some of the decline in manufacturing.

Major employers in the Reading area include East Penn Manufacturing Company, The Reading Hospital and Medical Center, Carpenter Technology Corporation, Boscov's Department Stores, and Wachovia Bank. In addition, government-related jobs comprise a notable portion of employment in Reading, which is the largest city in Berks County and the county seat. Patriot's major banking competitors in the Reading MSA include Wachovia Bank, Sovereign Bank, National Penn Bank, and Fulton Bank.

The area's unemployment rate is still above the state average, although rates in Berks County have dropped while those in Pennsylvania as a whole have remained stagnant. The unemployment rates for Berks County and the state are presented in the following table:

	July 2003	July 2002
Berks County	6.2%	6.6%
Pennsylvania	5.7%	5.7%

In October 2000, the Consumer and Community Affairs Department of the Federal Reserve Bank of Philadelphia published a report titled "A Community Profile for Lenders: Reading MSA". The report provides information and insights into the perceived credit needs and opportunities in the Reading MSA. 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 of Reading and the MSA. The report indicates that area banks are well integrated within the community and have responded well to perceived credit needs. In the report, community leaders indicated that the credit needs in their community include: (1) first-time homebuyer programs, including down payment and closing cost assistance for low- and moderate-income homebuyers; and (2) flexible small business loan programs.

HOUSING

The Reading assessment area contains 134,482 housing units. Single family units comprise 51% of the housing units, while two-to-four family units comprise 35%, multi-family units 10%, and mobile homes 4%. The median age of the housing stock is 34 years, which is the same as the median age for housing stock in the state. Median rent in the assessment area is \$411, with 33% of renters paying more than 30% of their

income for housing. Median rent state-wide is \$404, with 37% of renters paying more than 30% of their income for housing.

The overall homeownership rate in the assessment area is 70%, compared to 64% state-wide. The median housing value in the assessment area is \$82,125. There is a disparity between the median housing value in the upper-income (\$103,537) and middle-income geographies (\$84,274), and that in moderate-income (\$33,076) and low-income geographies (\$45,808). Of the total owner-occupied housing units in the Reading MSA, 68% are valued at less than \$100,000, while state-wide, 72% of housing units are valued at less than \$100,000.

The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. In the Reading assessment area, the percentage of owner-occupied units within the low- and moderate-income geographies is low when compared to middle- and upper-income geographies. Less than 2% of owner-occupied units are located in the low-income geographies and just 9% are located in the moderate-income geographies. The large majority of owner-occupied housing units (72%) are located in middle-income geographies and 17% are located in upper-income geographies.

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 HUD. According to 1990 Census Bureau statistics, the median family income for the Reading assessment area was \$38,165, which was slightly above the median income level for the state at \$34,856. From an income distribution standpoint, 36% of the families in the assessment area are designated as low- or moderate-income. Approximately 75% of these low- and moderate-income families reside in the assessment area's middle- and upper-income geographies. In 2003, the adjusted median family income for the Reading MSA, as reported by HUD, increased to \$61,200.

GEOGRAPHIC BUSINESS DATA

The percentage of businesses located within designated geographies is used as a proxy to estimate demand for small business credit within such geographies. In the Reading assessment area, the percentage of businesses located in low- and moderate-income geographies is well below the percentage of businesses in middle- and upper-income geographies. Just 12% of the assessment area's businesses are located in the low- and moderate-income geographies. The substantial majority of businesses (88%) are located in middle- and upper-income geographies.

The demographics used to assess the performance context in which Patriot operates are detailed in the following table:

EXHIBIT 3								
Patriot Bank								
Assessment Area Demographics								
Reading Assessment Area								
	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	7	3,008	3	1,178	39	15,051	16
Moderate-income	15	20	9,595	11	1,484	15	17,586	19
Middle-income	48	63	64,505	70	1,909	3	25,230	28
Upper-income	8	10	14,938	16	235	2	34,179	37
Total Assessment Area	76	100%	92,046	100%	4,806	5	92,046	100%
	Housing Units by Tract	HOUSING TYPES BY TRACT						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	4,916	1,442	2	29	3,016	61	458	9
Moderate-income	18,063	8,532	9	47	7,737	43	1,794	10
Middle-income	91,257	68,155	72	75	19,276	21	3,826	4
Upper-income	20,246	16,207	17	80	3,284	16	755	4
Total Assessment Area	134,482	94,336	100%	70	33,313	25	6,833	5
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	424	3	336	3	62	4	26	3
Moderate-income	1,413	9	1,203	9	123	9	87	10
Middle-income	10,646	71	9,046	71	949	69	651	73
Upper-income	2,491	17	2,119	17	246	18	126	14
Total Assessment Area	14,974	100%	12,704	100%	1,380	100%	890	100%
Percentage of Total Businesses:				85			9	6

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The lending test evaluates an institution's lending activities based on the following characteristics:

- Geographic distribution of loans, particularly loans originated in low- and moderate-income geographies;
- Borrowers' profile, irrespective of geography, particularly distribution of loans to 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; and
- Community development lending activities.

Performance under the lending test is outstanding in the Reading assessment area.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans in the Reading assessment area was conducted in an effort to determine the dispersion of loans among different geographies within the assessment area. The analysis reflected excellent penetration throughout the assessment area, including low- and moderate-income geographies.³

Home Mortgage Lending

The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. A lower level of owner-occupied units limits the bank's lending opportunities in these geographies. In the Reading assessment area, the large majority of owner-occupied housing units (89%) are located in middle- and upper-income geographies. Just 11% of all owner-occupied units are located in the assessment area's low- and moderate-income geographies.

A review of Patriot's lending activity reflects excellent penetration throughout the assessment area. Seventeen percent of the bank's home mortgage loans were originated in low- and moderate-income geographies. Bank lending levels are considered excellent, given the limited amount of available owner-occupied housing in the low- and moderate-income geographies. Also significant is that just 15% of the assessment area population resides in these low- and moderate-income geographies.

Geographic Distribution in Relation to Market Performance

Examiners compared Patriot's home mortgage lending to all lenders operating in the Reading assessment area. According to 2001 aggregated HMDA data, a total of 18,366 home mortgage loans were originated by all lenders operating in the assessment area. A closer analysis of this data shows that while 11% of all owner-occupied housing units are located in low- and moderate-income geographies, 6% of all home mortgage loans made in the assessment area were made in low- and moderate-income geographies. By comparison, 17% of Patriot's home mortgage loans were originated in low- and moderate-income geographies, indicating that the bank performed significantly better than the market in these geographies.

³ The information used to evaluate the geographic distribution of the bank's HMDA lending is detailed in Core Tables 2 through 5 in Appendix B. The Core Tables show HMDA-related loans originated by the bank in 2001 and 2002, using demographic data based on 1990 U.S. Census data. During this examination, the geographic distribution of loans originated in the first two quarters of 2003 was also reviewed, using demographic data based on the 2000 U.S. Census. Patriot's lending performance in 2003 was consistent with its performance in 2001 and 2002 in the Reading assessment area.

Small Business Lending

An analysis of the geographic distribution of small business loans was conducted in an effort to determine the dispersion of these loans among different geographies within the bank's assessment area. The analysis reflected excellent penetration throughout the assessment area, including low- and moderate-income geographies.⁴

During the period evaluated, Patriot originated 223 small business loans in its Reading assessment area, in an aggregate amount of \$19.9 million. A comparison of the number of small business loans originated in each type of geography to the number of 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 14,974 businesses within the assessment area.

Patriot's extension of credit to these businesses shows that low-income geographies received 1% of small business loans, while 3% of small businesses are located in these geographies. Moderate-income geographies received 9% of small business loans, while 9% of small businesses are located in these geographies. Middle-income geographies received 63% of small business loans, while 71% of small businesses are located in these geographies. Upper-income geographies received 27% of small business loans for their 17% share of small businesses.

Geographic Distribution in Relation to Market Performance

Patriot's small business lending was compared to all lenders operating in the assessment area. According to 2001 aggregated CRA data, a total of 6,695 small business loans were collectively originated by all lenders operating in the assessment area. A closer analysis of this data shows that while 3% of all businesses are located in low-income geographies, 2% of all small business loans made in the assessment area were made in low-income geographies. Further, 9% of all small businesses are located in moderate-income geographies and 8% of all small business loans made in the assessment area were made in moderate-income geographies. Overall, Patriot performed about the same as the market in low- and moderate-income geographies.

Distribution of Loans by Borrower Income Level and Revenue Size of the Business

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

⁴ The information used to evaluate the bank's small business lending is detailed in Core Table 6 in Appendix B.

Lending to Borrowers of Different Income Levels

Patriot's distribution of loans reflects good penetration among retail customers of different income levels.⁵ An analysis of the distribution of home mortgage loans to both low- and moderate-income borrowers, in comparison to the demographics of the assessment area, shows that of the 92,046 families in the assessment area, 35% are designated as low- or moderate-income. During the evaluation period, 22% of the bank's HMDA loans were to low- or moderate-income borrowers.

An analysis of the distribution of home mortgage loans to low-income families in comparison to the demographics of the assessment area shows that lending levels do not correspond to the percentage of low-income families that reside in the assessment area. Of the 92,046 families in the assessment area, 15,051 (16%) are designated as low-income. During the period evaluated, 7% of the bank's HMDA loans were to low-income families.

The bank's level of penetration is considered good given the demographics of the assessment area. Of the total families designated as low-income, 32% are living below the poverty level and are unlikely to qualify for a home mortgage loan. In general, the credit needs of the low-income segment of the population can be difficult to address through conventional loan products, presenting a significant obstacle to home ownership.

Obstacles to home ownership also exist for moderate-income families; however, Patriot's distribution of loans to moderate-income borrowers, in comparison to the demographics of the assessment area, is also considered good. Of the 92,046 families in the assessment area, 19% are designated as moderate-income. During the period evaluated, 15% of HMDA loans were to moderate-income families.

In an effort to more effectively address the credit needs of low- and moderate-income borrowers in its assessment areas, Patriot participates in a number of innovative and flexible lending programs that enhance its home mortgage lending profile. Most notably:

- Patriot participates in the Federal Home Loan Bank of Pittsburgh's (FHLB) Home Buyers Equity Fund (HBEF). The HBEF provides down payment and closing cost assistance to low- and moderate-income homebuyers. For every \$1 of funding provided by the participant, the FHLB will provide \$3 in matching grant assistance up to \$5,000. To be eligible for funding, participants must complete mandatory pre-homeownership counseling. During the evaluation period, Patriot originated twelve mortgages to low- and moderate-income borrowers under this program, using \$46,005 in HBEF funds.

⁵ The information used to evaluate the bank's lending to borrowers of different income levels is detailed in Core Tables 8 through 10 in Appendix B.

- Patriot offers a Community Development Mortgage (CDM). Developed internally, the purpose of the loan product is to provide borrowers with the ability to purchase a home with little or no down payment. In addition, the product offers flexible underwriting standards, lower fees, and down payment assistance. Although the CDM is not restricted to low- and moderate-income borrowers, 59% of all loans originated under the program have been to low- and moderate-income borrowers, showing that the CDM product provides greater access to bank credit to these borrowers. During the evaluation period, Patriot originated 27 mortgages under this program, aggregating \$2.6 million.
- Patriot offers Fannie Mae Flexible 100 and Flexible 97 mortgages for single-family, owner-occupied principal residences. The primary benefit of this product is the low down payment (Flexible 97) or no down payment (Flexible 100) feature. Although these products are not restricted to low- or moderate-income borrowers, they serve primarily low- and moderate-income homebuyers. These loans are processed through Fannie Mae Desktop Underwriter (DU). DU has expanded underwriting flexibility, enabling the bank to originate loans to borrowers who were originally outside its traditional underwriting criteria. During the evaluation period, Patriot originated 16 mortgages under the programs, aggregating \$1.7 million.

Patriot has also partnered with Our City of Reading, Inc., a home buyer assistance program in Reading. The bank originated one mortgage, aggregating \$49,000 with down payment and closing cost assistance.

Borrower Distribution in Relation to Market Performance

Patriot's home mortgage lending was compared to all lenders operating in the assessment area. An analysis of aggregate HMDA data shows that while 16% of all families in the assessment area are considered low-income, 9% of all home mortgage loans made in the assessment area were made to low-income borrowers. By comparison, 7% of Patriot's home mortgage loans were originated to low-income borrowers. In addition, while 19% of families are considered moderate-income, 21% of all home mortgage loans made in the assessment area were made to moderate-income borrowers. By comparison, 15% of Patriot's home mortgage loans were originated to moderate-income borrowers. Overall, Patriot performed below the market with low- and moderate-income borrowers.

Lending to Businesses of Different Sizes

An analysis of small business lending data was conducted to ascertain the extent of lending to businesses of different sizes, especially small businesses.⁶ Patriot's distribution of loans reflects excellent penetration among business customers of different sizes.

⁶ The information used to evaluate lending performance is detailed in Core Table 11 in Appendix B.

The analysis shows that, of the 223 loans originated by the bank, 187, or 84%, were originated to businesses with gross annual revenues of \$1 million or less. In comparison, a review of all lenders in the market shows that just 42% of all small business loans made in the assessment area were to businesses with gross annual revenues of \$1 million or less.

Of the 223 small business loans originated by the bank during the evaluation period, 75% were extended in an amount of \$100,000 or less. The number of small business loans originated in amounts of \$100,000 or less is significant because smaller size loans are generally commensurate with the borrowing needs of smaller businesses and, as such, Patriot's lending activity demonstrates that the bank is meeting the credit needs of smaller businesses.

Patriot participates as a U.S. Small Business Administration (SBA) lender. The bank received SBA's Preferred Lender status in June 2003 and qualified for the *SBAExpress* lending program developed by the SBA to increase the number of small loans approved by the agency. *SBAExpress* leverages private sector resources by transferring additional authority and autonomy to selected SBA lenders and streamlines the processing and costs of smaller, less complex SBA loans. During the period evaluated, Patriot originated 39 SBA loans totaling \$8 million.

In addition, the bank operates Patriot Commercial Leasing Company, a commercial leasing subsidiary. The leasing company provides lease financing to small businesses for business equipment, office furniture, and computer systems. Leasing provides a financing alternative for small businesses in the bank's assessment areas. As of June 30, 2003, lease financings aggregated \$75.6 million.

Community Development Lending

The bank made an adequate level of community development loans in the Reading assessment area. During the period evaluated, Patriot originated six community development loans, totaling \$384,000 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 families and individuals while helping to stabilize the neighborhoods in which they were made.

Investment Test

The investment test evaluates a financial institution's level of qualified investments that serve low- or moderate-income geographies or individuals, together with the innovativeness and complexity of such investments. Qualified investments made prior to the previous evaluation, which 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.

Performance under the investment test is assessed as adequate in the Reading assessment area.

Volume of Investment and Grant Activity

A review of investment activity revealed that Patriot has an adequate level of qualified community development investments and grants in the Reading assessment area. Overall, community development investments aggregated approximately \$566,000. Of these investments, 92% supported affordable housing and 8% supported community development services.

The qualified investments supporting affordable housing initiatives included a \$500,000 investment in a Pennsylvania Housing Finance Agency (PHFA) Single Family Mortgage Revenue Bond. The bond was issued in a statewide program to support affordable housing for low- and moderate-income families in Pennsylvania. This investment benefits all three of the bank's assessment areas. The portion of the investment benefiting the Reading assessment area totaled \$167,000.

In addition, Patriot holds two investments, recognized in previous evaluations, which remain outstanding. The investments, totaling \$620,000, support affordable housing in the bank's Reading and ChesMont assessment areas. The portion of the investment benefiting the Reading assessment area totaled \$353,000. The investments include two targeted mortgage-backed securities containing FNMA residential mortgage loans originated to low- and moderate-income borrowers in the bank's assessment areas.

In addition to qualified investments, the bank made grants and contributions to various local organizations that routinely provide community and economic development services that benefit low- and moderate-income individuals and geographies within the assessment area. During the period evaluated, the bank made approximately \$46,000 in qualified grants and contributions.

In context of the bank's asset size and overall operating capacity, the present quantity (dollar volume) of investments is deemed adequate. Of Patriot's total qualified investments, 18% were attributed to the Reading assessment area.

Responsiveness to Credit and Community Development Needs

Patriot has demonstrated an adequate responsiveness to credit and community development needs in the Reading assessment area through the use of investments to support community development initiatives. Qualified investments support affordable housing in an area with a large number of low- and moderate-income families and elderly. (In the Reading assessment area, 16% of the population is age 65 or older).

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 upon low- and moderate-income geographies and/or 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 high satisfactory.⁷

Accessibility of Delivery Systems

The bank’s delivery systems are reasonably accessible to essentially all portions of its assessment area. The bank currently operates six branches in the Reading MSA. Three branches are located in middle-income geographies and three are in upper-income geographies. The following table details the locations of the bank’s branches.

Geography	Number of Branches	Percent	Number of ATMs	Percent
Low-income	0	0	0	0
Moderate-income	0	0	0	0
Middle-income	3	50	4	50
Upper-income	3	50	4	50
TOTALS	6	100%	8	100%

In addition, the bank operates eight automated teller machines (ATM) through its 24-hour banking network linked with the Money Access Card (MAC) system that provides electronic access to banking services through a network of ATMs. Five of the bank’s ATMs are maintained at current branch locations. Three additional ATMs are at remote locations in Berks County (one in a middle-income geography and two in upper-income geographies).

⁷ Information used to evaluate bank performance under the service test is detailed in Core Table 14 in Appendix B.

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

To supplement traditional banking services, Patriot provides “Online Banking” at Patriotbank.com and “Connect24” telephone banking service to its customers. “Online Banking” allows customers to check account balances, make transfers between accounts, pay bills, place stop payments, and apply for certain loan products. The “Connect 24” telephone banking service allows customers to check account balances and make transfers between accounts.

Changes in Branch Locations

During the evaluation period, the bank opened three new branches in its Reading assessment area:

- 2228 State Hill Road, Wyomissing, PA (upper-income geography).
- 4930 5th Street Highway, Muhlenberg Township, PA (middle-income geography)
- 155 Shillington Road, Sinking Spring, PA (upper-income geography).

Additionally, Patriot closed its branch at 1149 Berkshire Boulevard, Wyomissing, PA. The branch was located in an upper-income geography.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

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

Community Development Services

Patriot provides a high level of community development services that are tailored to the needs of the bank’s assessment areas, particularly low- and moderate-income geographies and individuals. Most notably, these include the following:

- A bank officer serves on the Board of Directors and provides technical assistance to Boyertown Area Creative Housing (BACH). BACH provides transitional housing and support for low- and moderate-income families in the Boyertown area.
- A bank officer serves on the board of directors and provides technical assistance to the Reading Downtown Working Group (RDWG). The RDWG was established to revitalize downtown Reading. According to the 2000 U.S. Census, all 29 geographies in the city are designated as low- or moderate-income area.

- A bank employee serves on the Board of Directors and presents small business workshops for the Berks County Chamber of Commerce
- A bank employee serves on the loan committee for Neighborhood Housing Services of Reading (NHS). NHS is a non-profit community organization established to provide affordable housing services to low- and moderate-income families and individuals in Reading.
- A bank employee provides technical assistance to the Kutztown University Small Business Center, Kutztown, PA (SBC). The SBC counsels small businesses within a ten county region in Pennsylvania, including Berks and Chester counties in the bank's assessment area.

Additional bank officers and employees serve in various capacities on boards and committees of numerous organizations that provide community development services. These organizations include:

- Building a Better Boyertown
- Center For Leadership
- Opportunity House
- Reading Downtown Improvement District and
- The Reading Housing Initiative.

Bank Products

Patriot offers products that provide greater access to banking services for low- and moderate-income customers and small businesses. The most noteworthy of these products are:

- Patriot offers free checking to all consumers who directly deposit their payroll or social security checks. This free checking account has unlimited check writing and no minimum daily balance requirements. The account provides greater access to banking services for low- and moderate-income consumers.
- Patriot offers a free small business checking account. For small businesses that generate less than 200 checks or deposited items per month, there are no monthly service fees and no minimum balance requirements. The account provides greater access to banking services for smaller businesses. For a \$3 per month service fee, small businesses can add basic commercial on-line banking to their accounts.

LEHIGH VALLEY ASSESSMENT AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS

Situated in the eastern Pennsylvania area known as the Lehigh Valley, the Allentown-Bethlehem-Easton MSA (ABE-MSA) includes Lehigh, Northampton and Carbon Counties. Patriot's assessment area includes only Lehigh County (including the city of Allentown) and Northampton County (which includes the cities of Bethlehem and Easton).

There are 134 geographies in the assessment area, seven of which are low-income and 17 moderate-income. Of the seven low-income geographies, two are located in the city of Allentown and two are located in the city of Bethlehem. The three remaining low-income geographies contain no population. Two are located on the Appalachian Trail and one in Hanover in Northampton County. All of the assessment area's moderate-income geographies are located in the cities of Allentown (11), Bethlehem (4), and Easton (2). Just 12% of the assessment area's population resides in these low- and moderate-income geographies.

Patriot's performance was evaluated in terms of the demographic and business context in which the bank operates. According to the FDIC's Summary of Deposits, as of June 30, 2002⁸, there were 24 depository institutions operating in the Lehigh Valley assessment area. These institutions maintained a total of 210 branches holding \$8.0 billion in deposits. Patriot, with eight branches in the assessment area, ranked 11th with \$197 million and 3% of the retail deposit market. Wachovia Bank, NA, holds the largest share of deposits with 29% of the market.

Patriot's HMDA-related home mortgage loans were compared to the aggregate of all lenders in the Lehigh Valley assessment area reporting real estate loans pursuant to HMDA. This data is reported annually, and the most recent year for which information was available is 2001, when there were a total of 364 HMDA reporters. According to the 2001 data, Patriot is the 30th largest HMDA loan originator in the assessment area with 1% of all such loan originations and purchases. Wachovia Bank ranked 1st with 6% of the market.

Patriot ranks 17th among small business lenders in the assessment area, with 1% of the market share. GE Capital Financial, Inc., and Associates Capital Bank, Inc. ranked 1st and 2nd, with 15% of the market each. There were a total of 81 small business reporters in the assessment area in 2001.

⁸ June 30, 2002 is the most recent date for which FDIC deposit data is available.

ECONOMIC CHARACTERISTICS

The ABE-MSA is located in eastern Pennsylvania, strategically situated between the cities of Philadelphia and New York. From 1900 to 1950, the ABE-MSA had a diverse manufacturing economy. During that time, the population grew steadily, primarily as a result of the steel industry in Allentown and Bethlehem. Following World War II, middle-class families began moving out and by the late 1970's, the transition from manufacturing to service employment began to occur. As a result of the decreasing industrial base, the city of Allentown has experienced some economic difficulties over the years, and income and housing measures within these cities reflect this decline.

Today, the service industry is the area's largest employer, followed by manufacturing and retail trade. The area economy continues to contract, primarily due to weaknesses in its manufacturing and professional services industries. However, retail trade is providing an employment boost. Overall, the manufacturing industry has had net employment losses, and the service and finance industries have seen growth weaken in the past year.

Major employers in Lehigh County include Air Products and Chemicals, Inc., Lehigh Valley Hospital Center, Agere Systems, Inc., and St. Luke's Hospital. In Northampton County, major employers include Lehigh University, Easton Hospital, and Binney and Smith. Although Federal, state, and local governments provide employment throughout the area, Northampton County relies more on this source of employment than Lehigh County, with the county and federal governments as well as local school districts among the top ten employers.

Banking in the assessment area is competitive. Super-regional Wachovia Bank has a dominant presence in the market. Additionally, several mid-size banks including Sovereign Bank and Lafayette Ambassador Bank are strong competition for Patriot.

In April 2001, the Consumer and Community Affairs Department of the Federal Reserve Bank of Philadelphia published a report titled "Community Profile for Lenders: Allentown-Bethlehem-Easton MSA". The report provides information and insights into the perceived credit needs and opportunities in the MSA. 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 cities of Allentown, Bethlehem and Easton, as well as the MSA as a whole.

Community leaders indicated that the following credit needs existed in the assessment area: (1) specialized lending products, particularly affordable mortgage products for first-time homebuyers; (2) construction financing for the development of affordable housing; (3) support of local small business loan pools designed to attract small businesses to the city of Allentown; and (4) branch banking services in low- and moderate-income geographies.

The unemployment rates for the counties in the assessment area, as well as rates for the state and MSA, are presented in the following table:

	July 2003	July 2002
Lehigh County	5.7	5.7
Northampton County	5.9	5.6
Allentown-Bethlehem-Easton MSA	5.9	5.8
Pennsylvania	5.7	5.7

Information obtained from contacts with community organizations in the assessment area indicates that area credit needs include loans for residential housing (including first-home homebuyer loans and assistance), small business loans, and credit counseling. The provision of services to non-profit community groups, including both monetary assistance and financial expertise, was noted as well. One contact also mentioned that financial institutions need to do more to support organizations assisting small businesses in obtaining financing.

HOUSING

The Allentown Bethlehem assessment area contains 213,680 housing units, of which 68% are owner-occupied and 27% rental units. In low- and moderate-income geographies, the owner-occupancy rate is 41%, while rental housing accounts for 51% of all housing located in these geographies. The overall owner-occupancy rate in the ABE-MSA is 68%, and the state is 64%.

Single family units comprise 50% of the housing units, while two-to-four family units comprise 33%, multi-family units 13%, and mobile homes 3%. The median age of the housing stock is 33 years, compared to a median age of 43 years in the ABE-MSA, and 34 years in the state. Median rent in the assessment area is \$451, with 36% of renters paying more than 30% of their income for housing. Median rent in the ABE-MSA is \$449, with 36% of renters paying more than 30% of their income for housing. In the state, median rent is \$404, with 37% of renters paying more than 30% of their income for housing.

The median housing value in the assessment area is \$107,178, and there is a significant disparity between the median housing values in the upper-income (\$145,678) and that in moderate-income (\$57,388) and low-income (\$59,797) geographies. Of the total owner-occupied housing units in the assessment area, 50% are valued at less than \$100,000 indicating that housing in the Lehigh Valley is less affordable than in other eastern metropolitan areas. In the ABE-MSA as a whole, 53% of housing units are valued at less than \$100,000, as compared with 72% statewide.

The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. An analysis of owner-occupied housing units, compared to the number of total available housing units for each geographic designation, shows that the majority of owner-occupied housing units (69%) are located in the middle-

income geographies. Just 8% of all owner-occupied units are located in the assessment area's low- and moderate-income geographies.

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 by HUD. According to 1990 Census data, the median family income for the Lehigh Valley assessment area was \$39,536, compared to \$37,523 for the ABE-MSA as a whole, and \$34,856 for the state. In 2003, the adjusted median family income for the ABE-MSA, as reported by HUD, increased to \$59,700.

Of the total families in the Lehigh Valley assessment area, 16% are designated as low-income and 18% are moderate-income. A majority of low- and moderate-income families (82%) live in middle- and upper-income geographies. Just 18% actually live in the assessment area's low- and moderate-income geographies.

GEOGRAPHIC BUSINESS DATA

The percentage of businesses located within designated geographies is used as a proxy to estimate demand for small business credit within such geographies. In the Lehigh Valley assessment area, the percentage of businesses located in low- and moderate-income geographies is well below the percentage of businesses in middle- and upper-income geographies. Just 11% of businesses in the assessment area are located in low- or moderate-income geographies. The substantial majority of small businesses (89%) are located in middle- and upper-income geographies.

The demographics used to assess the performance context in which Patriot operates are detailed in the following table:

EXHIBIT 4								
Patriot Bank								
Assessment Area Demographics								
Lehigh Valley Assessment Area								
	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	7	5	2,506	2	912	36	23,358	16
Moderate-income	17	13	12,270	8	2,107	17	27,168	18
Middle-income	86	64	99,217	68	3,682	4	39,022	27
Upper-income	24	18	33,089	22	519	2	57,534	39
Total Assessment Area	134	100%	147,082	100%	7,220	5	147,082	100%
	Housing Units by Tract	HOUSING TYPES BY TRACT						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	4,238	963	1	23	2,968	70	307	7
Moderate-income	21,988	9,668	7	44	10,389	47	1,931	9
Middle-income	144,772	100,397	69	69	38,346	27	6,029	4
Upper-income	42,682	34,223	23	80	6,888	16	1,571	4
Total Assessment Area	213,680	145,251	100%	68	58,591	27	9,838	5
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	421	2	373	2	30	1	18	2
Moderate-income	2,263	9	1,945	9	195	10	123	10
Middle-income	15,374	64	13,414	65	1,204	59	756	64
Upper-income	5,927	25	5,036	24	602	30	289	24
Total Assessment Area	23,985	100%	20,768	100%	2,031	100%	1,186	100%
	Percentage of Total Businesses:			87		8		5

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The lending test evaluates an institution's lending activities based on the following characteristics:

- Geographic distribution of loans, particularly loans originated in low- and moderate-income geographies;
- Borrowers' profile, irrespective of geography, particularly distribution of loans to 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; and
- Community development lending activities.

Performance under the lending test is outstanding in the Lehigh Valley assessment area.

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 Lehigh Valley assessment area. The analysis reflected excellent penetration throughout the assessment area, including low- and moderate-income geographies.⁹

Home Mortgage Lending

The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. A lower level of owner-occupied units limits the bank's lending opportunities in these geographies. In the Lehigh Valley assessment area, the vast majority of owner-occupied housing units (92%) are located in middle- and upper-income geographies. Only 8% of all owner-occupied units are located in the assessment area's low- and moderate-income geographies. In comparison, during the period evaluated, 15% of Patriot's home mortgage loans were originated in low- and moderate-income geographies. Bank lending levels are strong despite the limited amount of available owner-occupied housing in the low- and moderate-income geographies.

Geographic Distribution in Relation to Market Performance

Patriot's home mortgage lending was compared to all lenders operating in the Lehigh Valley assessment area. While 1% of all owner-occupied housing units are located in low-income geographies, 1% of all home mortgage loans made in the assessment area were made in low-income geographies. By comparison, 2% of Patriot's home mortgage loans were originated in low-income geographies. Aggregate data indicates that there were few lending opportunities for any banks operating in these geographies.

Moderate-income geographies contain 7% of all owner-occupied housing units and 5% of all home mortgage loans made in the assessment area were made in moderate-income geographies. By comparison, 13% of Patriot's home mortgage loans were originated in moderate-income geographies, indicating the bank performed significantly better than the market in these geographies.

⁹ The information used to evaluate the geographic distribution of the bank's HMDA lending is detailed in Core Tables 2 through 5 in Appendix B. The Core Tables show HMDA-related loans originated by the bank in 2001 and 2002, using demographic data based on 1990 U.S. Census data. During this examination, the geographic distribution of loans originated in the first two quarters of 2003 was also reviewed, using demographic data based on the 2000 U.S. Census. Patriot's lending performance in 2003 was consistent with its performance in 2001 and 2002 in the Lehigh Valley assessment area.

Small Business Lending

An analysis of the geographic distribution of small business loans was conducted in an effort to determine the dispersion of these loans among different geographies within the bank's assessment area.¹⁰ During the period evaluated, Patriot originated 199 small business loans, in an aggregate amount of \$23.8 million. A comparison of the number of small business loans originated in each type of geography to the number of 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 23,985 businesses within the assessment area. Patriot's extension of credit to these businesses shows that low-income geographies received 2% of small business loans, while 2% of small businesses are located in these geographies. Moderate-income geographies received 12% of small business loans, while 9% of small businesses are located in these geographies. Middle-income geographies received 71% of small business loans, while 65% of small businesses are located in these geographies. Upper-income geographies received 16% of small business loans for their 24% share of small businesses.

Geographic Distribution in Relation to Market Performance

Patriot's small business lending was compared to all lenders operating in the Lehigh Valley assessment area. 2001 aggregate CRA data shows that while 2% of all businesses are located in low-income geographies, 1% of all small business loans made in the assessment area were made in low-income geographies. Comparatively, Patriot originated 2% of its small business loans in the low-income geographies. Further, while 9% of all businesses are located in moderate-income geographies, 9% of all small business loans made in the assessment area were made in moderate-income geographies. Patriot performed better than the market in these geographies, extending 12% of their small business loans in moderate-income geographies.

Distribution of Loans by Borrower Income Level and Revenue Size of the Business

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

¹⁰ The information used to evaluate the bank's small business lending is detailed in Core Table 6 in Appendix B.

Lending to Borrowers of Different Income Levels

Patriot's distribution of loans reflects good penetration among retail customers of different income levels.¹¹ An analysis of the distribution of home mortgage loans to both low- and moderate-income borrowers, in comparison to the demographics of the assessment area, shows that of the 147,082 families in the assessment area, 34% are designated as low- or moderate-income. During the evaluation period, 27% of the bank's HMDA loans were to low- or moderate-income borrowers.

An analysis of the distribution of home mortgage loans to low-income families in comparison to the demographics of the assessment area shows that lending levels do not correspond to the percentage of low-income families that reside in the assessment area. Of the 147,082 families in the assessment area, 23,358 (16%) are designated as low-income. During the period evaluated, 8% of the bank's HMDA loans were to low-income families.

The bank's modest level of penetration is considered good given the demographics of the assessment area. Of the total families designated as low-income, 31% are living below the poverty level and are unlikely to qualify for a home mortgage loan. In general, the credit needs of the low-income segment of the population can be difficult to address through conventional loan products, presenting a significant obstacle to home ownership.

Obstacles to home ownership also exist for moderate-income families; however, Patriot's distribution of loans to moderate-income borrowers, in comparison to the demographics of the assessment area, is considered excellent. Of the 147,082 families in the assessment area, 18% are designated as moderate-income. During the period evaluated, 19% of HMDA loans were to moderate-income families.

In an effort to more effectively address the credit needs of low- and moderate-income borrowers in its assessment areas, Patriot participates in a number of innovative and flexible lending programs that enhance its home mortgage lending profile. Most notably:

- Patriot participates in the Federal Home Loan Bank of Pittsburgh's (FHLB) Home Buyers Equity Fund (HBEF). The HBEF provides down payment and closing cost assistance to low- and moderate-income homebuyers. For every \$1 of funding provided by the participant, the FHLB will provide \$3 in matching grant assistance up to \$5,000. To be eligible for funding, participants must complete mandatory pre-homeownership counseling. During the evaluation period, Patriot originated twelve mortgages to low- and moderate-income borrowers under this program, using \$46,005 in HBEF funds.

¹¹ The information used to evaluate the bank's lending to borrowers of different income levels is detailed in Core Tables 8 through 10 in Appendix B.

- Patriot offers a Community Development Mortgage (CDM). Developed internally, the purpose of the loan product is to provide borrowers with the ability to purchase a home with little or no down payment. In addition, the product offers flexible underwriting standards, lower fees, and down payment assistance. Although the CDM is not restricted to low- and moderate-income borrowers, 59% of all loans originated under the program have been to low- and moderate-income borrowers, showing that the CDM product provides greater access to bank credit to these borrowers. During the evaluation period, Patriot originated 27 mortgages under this program, aggregating \$2.6 million.
- Patriot offers Fannie Mae Flexible 100 and Flexible 97 mortgages for single-family, owner-occupied principal residences. The primary benefit of this product is the low down payment (Flexible 97) or no down payment (Flexible 100) feature. Although these products are not restricted to low- or moderate-income borrowers, they serve primarily low- and moderate-income homebuyers. These loans are processed through Fannie Mae Desktop Underwriter (DU). DU has expanded underwriting flexibility, enabling the bank to originate loans to borrowers who were originally outside its traditional underwriting criteria. During the evaluation period, Patriot originated 16 mortgages under the programs, aggregating \$1.7 million.

Patriot has also partnered with Alliance for Building Communities to provide down payment and closing cost assistance to low- and moderate-income homebuyers. ABC provides affordable housing options and counseling to low- and moderate-income families in the Lehigh Valley.

Borrower Distribution in Relation to Market Performance

Patriot's home mortgage lending was compared to all lenders operating in the Lehigh Valley assessment area. An analysis of aggregate HMDA data shows that while 16% of all families in the assessment area are considered low-income, just 6% of all home mortgage loans made in the assessment area were made to low-income borrowers. By comparison, 8% of Patriot's home mortgage loans were originated to low-income borrowers.

In addition, while 18% of families are considered moderate-income, 19% of all home mortgage loans made in the assessment area were made to moderate-income borrowers. By comparison, 19% of Patriot's home mortgage loans were originated to moderate-income borrowers. Overall, Patriot performed above the market with low-income borrowers, and the same as the market with moderate-income borrowers.

Lending to Businesses of Different Sizes

An analysis of small business lending data was conducted to ascertain the extent of lending to businesses of different sizes, especially small businesses.¹² Patriot's distribution of loans reflects excellent penetration among business customers of different sizes.

A small business is defined as a business with gross annual revenues of \$1 million or less and, as such, Patriot's small business lending was analyzed to determine whether loans were made to small businesses. The analysis shows that, of the 199 loans originated by the bank, 164, or 82%, were originated to businesses with gross annual revenues of \$1 million or less. In comparison, a review of all lenders in the market shows that just 37% of all small business loans made in the assessment area were to businesses with gross annual revenues of \$1 million or less.

In addition, of the 199 small business loans originated by the bank during the evaluation period, 65% were extended in an amount of \$100,000 or less. The number of small business loans originated in amounts of \$100,000 or less is significant because smaller size loans are generally commensurate with the borrowing needs of smaller businesses and, as such, Patriot's lending activity demonstrates that the bank is meeting the credit needs of smaller businesses.

To enhance its effort to address the credit needs of small businesses in its assessment areas, Patriot participates as a U.S. Small Business Administration (SBA) lender. The bank received SBA's Preferred Lender status in June 2003 and also qualified for the *SBAExpress* lending program developed by the SBA to increase the number of small loans approved by the agency. *SBAExpress* leverages private sector resources by transferring additional authority and autonomy to selected SBA lenders and streamlines the processing and costs of smaller, less complex SBA loans. During the period evaluated, Patriot has originated 39 SBA loans totaling \$8 million.

In addition, the bank operates Patriot Commercial Leasing Company, a commercial leasing subsidiary. The leasing company provides lease financing to small businesses for business equipment, office furniture, and computer systems. Leasing provides a financing alternative for small businesses in the bank's assessment areas. As of June 30, 2003, lease financings aggregated \$75.6 million.

Community Development Lending

Patriot made a significant level of community development loans in the assessment area. The bank originated 15 community development loans, totaling \$1.8 million, for the purchase, refinance, or improvement of multi-family dwellings located in low- to 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 they were made.

¹² The information used to evaluate lending performance is detailed in Core Table 11 in Appendix B.

Investment Test

The investment test evaluates a financial institution's level of qualified investments that serve low- or moderate-income geographies or individuals, together with the innovativeness and complexity of such investments. Qualified investments made prior to the previous evaluation, which 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.

Performance under the investment test is assessed as high satisfactory in the Lehigh Valley assessment area.

Volume of Investment and Grant Activity

A review of investment activity revealed that Patriot has a significant level of qualified community development investments and grants in the assessment area. Overall, community development investments aggregated \$1.2 million. The qualified investments mainly supported affordable housing initiatives, including a \$500,000 investment in a Pennsylvania Housing Finance Agency (PHFA) Single Family Mortgage Revenue Bond. The bond was issued in a statewide program to support affordable housing for low- and moderate-income families in Pennsylvania. This investment benefits all three of the bank's assessment areas. The portion of the investment benefiting the Lehigh Valley assessment area totaled \$167,000.

In addition, Patriot invested \$1 million in two U.S. Department of Housing and Urban Development (HUD) Section 108 Government Guaranteed Participation Certificates. The certificates represent a fractional interest in a Trust sponsored by HUD. The assets of the Trust consist of notes issued by local governments who are eligible to receive HUD funds under the Community Development Block Grant (CDBG) Entitlement Program. The funds must be used for eligible community development activities which include: acquiring real property, reconstructing or rehabilitating housing and other property, building public facilities, providing public services for youth, and other housing related activities. States must award at least 70% of their CDBG funds for activities that benefit low- and moderate-income people. The certificates acquired benefit the cities of Allentown and Bethlehem.

In addition to qualified investments, the bank made grants and contributions to various local organizations that routinely provide community and economic development services that benefit low- and moderate-income individuals and geographies within its assessment area. During the period evaluated, the bank made approximately \$36,000 in qualified grants and contributions.

In context of the bank's asset size and overall operating capacity, the present quantity (dollar volume) of investments is deemed significant. Of the bank's total investments in the Lehigh Valley assessment area, 55% supported affordable housing, 24% supported community development services, and 21% supported economic development. Of the bank's total current investments, 38% were attributed to the Lehigh Valley assessment area.

Responsiveness to Credit and Community Development Needs

Patriot has demonstrated a good responsiveness to credit and community development needs through the use of investments to support community development initiatives. About 21% of the dollar amount of the qualified investments supported economic development in an area where unemployment rates are rising. In addition, more than half of qualified investments support affordable housing in an assessment area where housing is less affordable than in other eastern metropolitan 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 upon low- and moderate-income geographies and/or 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 high satisfactory in the Lehigh Valley assessment area¹³

¹³ Information used to evaluate bank performance under the Service Test is detailed in Core Table 14 in Appendix B.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of its assessment area. The bank currently operates eight branches in the Leigh Valley assessment area. The following table details the locations of the bank's branches.

Geography	Number of Branches	Percent	Number of ATMs	Percent
Low-income	0	0	0	0
Moderate-income	1	13	1	10
Middle-income	5	62	6	60
Upper-income	2	25	3	30
Totals	8	100%	10	100%

In addition, the bank operates ten automated teller machines (ATM) through its 24-hour banking network linked with the Money Access Card (MAC) system that provides electronic access to banking services through a network of ATMs. Eight of the ATMs are maintained at current branch locations. Two additional ATMs are at remote locations: one in a middle-income geography in Northampton County and one in an upper-income geography in Lehigh County.

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

To supplement traditional banking services, Patriot provides "Online Banking" at Patriotbank.com and "Connect24" telephone banking service to its customers. "Online Banking" allows customers to check account balances, make transfers between accounts, pay bills, place stop payments, and apply for certain loan products using their personal computer. The "Connect 24" telephone banking service allows customers to check account balances and make transfers between accounts.

Changes in Branch Locations

Since the previous evaluation, Patriot has not opened any new branches or closed any branches in the Leigh Valley assessment area. The bank did relocate its Whitehall branch from 2541 Mickley Avenue to 2545 Mickley Avenue, Whitehall, Lehigh County, PA.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

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

Community Development Services

Patriot provides an adequate level of community development services in the Lehigh Valley assessment area. Most notably, these include:

- A bank officer serves on the board of directors and provides technical assistance to Alliance for Building Communities (ABC). ABC's activities include developing and managing affordable rental housing for low-income families and seniors; linking families with homeownership opportunities; and providing consulting services to housing authorities and other nonprofit organizations.
- A bank mortgage lender routinely provides first-time homebuyers with pre-purchase counseling in connection with Patriot's participation in the Federal Home Loan Bank of Pittsburgh's Home Buyers Equity Fund.

Additional bank officers and employees serve in various capacities on boards and committees of numerous community development organizations. These organizations include:

- Northampton Chamber of Commerce
- Lehigh Valley Chamber of Commerce
- Springford Chamber of Commerce
- Second Mile Mission Center and
- Lehigh Valley Economic Women's Council.

Bank Products

- Patriot offers free checking to all consumers who directly deposit their payroll or social security checks. This free checking account has unlimited check writing and no minimum daily balance requirements. The account provides greater access to banking services for low- and moderate-income consumers.
- Patriot offers a free small business checking account. For small businesses that generate less than 200 checks or deposited items per month, there are no monthly service fees and no minimum balance requirements. The account provides greater access to banking services for smaller businesses. For a \$3 per month service fee, a business can add basic commercial on-line banking.

CHESMONT ASSESSMENT AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS

The Pennsylvania portion of the Philadelphia PA-NJ MSA includes Philadelphia, Montgomery, Bucks, Delaware and Chester counties. Patriot's assessment area includes only Chester and Montgomery counties in the western part of the MSA, adjacent to Berks County.

There are 314 geographies in the assessment area, eight of which are low-income and 16 moderate-income. Seven of the low-income geographies include those with Graterford Prison, Pennhurst State Hospital, and West Chester University. These geographies have little or no population and no median income reported. The one remaining low-income geography is located in the city of Coatesville in western Chester County. Less than 1% of the assessment area's population resides in the low-income geographies.

Of the 16 moderate-income geographies, eight are located in western Chester County in Oxford, Coatesville, Avondale, West Nottingham, and West Chester. Eight additional moderate-income geographies are in Montgomery County in Pottstown, Norristown, and Conshohocken. Just 4% of the assessment area's population resides in these moderate-income geographies.

Patriot's performance was evaluated in terms of the demographic and business context in which the bank operates. According to the FDIC's Summary of Deposits, as of June 30, 2002¹⁴, there were 64 depository institutions operating in the ChesMont assessment area. These institutions maintained a total of 533 branches holding \$19.9 billion in deposits. Patriot, with three branches in the assessment area, ranked 27th with \$168 million, less than 1% of the retail deposit market share. Wachovia Bank, NA, and PNC Bank, NA, hold the largest market shares with 15% and 10% each, respectively.

Patriot's HMDA-related home mortgage loans were compared to the aggregate of all lenders in the market reporting real estate loans pursuant to HMDA. This data is reported annually and the most recent year for which information was available is 2001. Patriot is not a major mortgage originator in the area. The bank was ranked 59th with less than 1% of market share out of a total of 544 HMDA reporters. The market is highly competitive with no one financial institution dominating the market.

Regarding small business lending, Patriot ranks 41st in the assessment area with less than 1% of the market. GE Capital Financial, Inc., Associates Capital Bank, Inc., American Express Centurion and MBNA America (Delaware), N.A. ranked 1st through 4th, with 12% of the market each. There were a total of 150 small business reporters in the assessment area in 2001.

¹⁴ June 30, 2002 is the most recent date for which FDIC deposit data is available.

ECONOMIC CHARACTERISTICS

The economy of the Philadelphia MSA is increasingly diverse, and not solely dependent on any one major industry or employer. The largest private-sector employers in Montgomery County include Merck and Company, Abington Memorial Hospital, Aetna Life Insurance Company, Smith Kline Beecham Corp., and Lockheed Martin Corp. In Chester County, the largest employers include The Vanguard Group of Investors, QVC, Inc., Wyeth-Ayerst Pharmaceuticals, and The Devereux Foundation. The banking environment in which Patriot operates is highly competitive and dominated by large regional banking organizations, mortgage companies and aggressive community banks.

Benchmark employment data indicates that the recession has largely bypassed the metropolitan area. Although there has been contraction in some payrolls, overall the MSA's labor force has continued to grow during the current downturn due to further expansion in the healthcare and education industries. Business services, manufacturing, and transportation are noting some declines.

The assessment area's unemployment rate is lower than the MSA as a whole, as well as the state average, with Chester County faring the best. The unemployment rates for the ChesMont assessment area are presented in the following table:

	July 2003	July 2002
Montgomery County	4.5	4.7
Chester County	4.2	4.2
Philadelphia-MSA	5.9	6.0
Pennsylvania	5.7	5.7

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 Pennsylvania portion of the Philadelphia MSA. 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 of Philadelphia.

In the report, community leaders indicated the following when asked banking needs existed in the assessment area: (1) checking and savings accounts priced for low- and moderate-income families; (2) first-time homebuyer loan programs for low- and moderate-income families; (3) operational funding for area non-profits and community development organizations; (4) short- and long-term financing for larger affordable housing projects; and (5) support of commercial real estate development in the city of Philadelphia's poorer neighborhoods.

HOUSING

The Philadelphia assessment area contains 405,453 housing units, of which 70% are owner-occupied and 26% rental units. In low- and moderate-income geographies, the level of owner-occupancy is 45%, while rental units account for 48% of all housing. The overall owner-occupancy rate in the Philadelphia MSA is 65%, and the state is 64%.

Single family units comprise 57% of the housing units, while two-to-four family units comprise 24%, multi-family units 17%, and mobile homes 2%. The median age of the housing stock is 28 years, compared to a median age of 42 years in the Philadelphia MSA, and 34 years in the state. Median rent in the assessment area is \$602, with 34% of renters paying more than 30% of their income for housing. Median rent in the Philadelphia MSA is \$515, with 41% of renters paying more than 30% of their income for housing. In the state, median rent is \$404, with 37% of renters paying more than 30% of their income for housing.

The median housing value in the assessment area is \$161,427, and there is a significant disparity between the median housing values in the upper-income (\$195,195) and that in moderate-income (\$72,854) and low-income (\$60,400) geographies. Of the total owner-occupied housing units, just 21% are valued at less than \$100,000, indicating that housing in the ChesMont assessment area is less affordable than in other eastern metropolitan areas. In the Philadelphia MSA as a whole, 51% of housing units are valued at less than \$100,000, as compared with 72% statewide.

The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. An analysis of owner-occupied housing units, compared to the number of total available housing units for each geographic designation, shows that the majority of owner-occupied housing units (59%) are located in the upper-income geographies. Just 3% of all owner-occupied units are located in the assessment area's low- and moderate-income geographies.

MEDIAN FAMILY INCOME

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 by HUD. According to 1990 Census data, the median family income for the ChesMont assessment area was \$55,337, compared to \$41,908 for the Philadelphia MSA as a whole, and \$34,856 for the state. In 2003, the adjusted median family income for the Philadelphia MSA, as reported by HUD, increased to \$68,200.

Of the total families in the ChesMont assessment area, 10% are designated as low-income and 15% are moderate-income. A vast majority of low- and moderate-income families (91%) live in middle- and upper-income geographies. Just 9% actually live in low- and moderate-income geographies. Families living below the poverty level represent 3% of the total families in the assessment area. In both the Philadelphia MSA and the state, 8% of families live below the poverty level.

GEOGRAPHIC BUSINESS DATA

The percentage of businesses located within designated geographies is used as a proxy to estimate demand for small business credit within such geographies. According to Dun and Bradstreet, 4% of businesses in the ChesMont assessment area are located in the moderate-income geographies, and less than 1% in low-income geographies. The substantial majority of businesses are located in middle- and upper-income geographies.

The demographics used to assess the performance context in which Patriot operates are detailed in the following table:

EXHIBIT 5								
Patriot Bank								
Assessment Area Demographics								
ChesMont Assessment Area								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	8	2	765	Negligible	219	29	29,032	10
Moderate-income	16	5	10,417	4	1,186	11	41,222	15
Middle-income	134	43	113,353	40	3,448	3	65,071	23
Upper-income	156	50	157,894	56	2,214	1	147,104	52
Total Assessment Area	314	100%	282,429	100%	7,067	3	282,429	100%
	Housing Units by Tract	HOUSING TYPES BY TRACT						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,264	493	Negligible	39	680	54	91	7
Moderate-income	18,324	8,361	3	46	8,686	47	1,277	7
Middle-income	168,284	108,788	38	64	52,768	31	6,728	4
Upper-income	217,581	165,955	59	76	42,521	20	9,105	4
Total Assessment Area	405,453	283,597	100%	70	104,655	26	17,201	4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	70	Negligible	62	Negligible	5	Negligible	3	1
Moderate-income	2,718	4	2,274	5	279	4	165	5
Middle-income	22,279	36	18,766	36	2,317	34	1,196	38
Upper-income	36,988	60	30,838	59	4,323	62	1,827	57
Total Assessment Area	62,055	100%	51,940	100%	6,924	100%	3,191	100%
Percentage of Total Businesses:				84	11	5		

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The lending test evaluates an institution's lending activities based on the following characteristics:

- Geographic distribution of loans, particularly loans originated in low- and moderate-income geographies;
- Borrowers' profile, irrespective of geography, particularly distribution of loans to 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; and
- Community development lending activities.

Performance under the lending test is outstanding in the ChesMont assessment area.

Geographic Distribution

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among different geographies within the ChesMont assessment area. The analysis reflected excellent penetration throughout the assessment area, including low- and moderate-income geographies.¹⁵

Home Mortgage Lending

The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. A lower level of owner-occupied units limits the bank's lending opportunities in these geographies. In the ChesMont assessment area, the overwhelming majority of owner-occupied housing units (97%) are located in middle- and upper-income geographies. Just 3% of all owner-occupied units are located in the assessment area's low- and moderate-income geographies. In comparison, a review of HMDA lending activity shows that 16% of Patriot's home mortgage loans were originated in low- and moderate-income geographies. This reflects excellent bank lending levels, despite the limited amount of owner-occupied housing in low- and moderate-income geographies.

¹⁵ The information used to evaluate the geographic distribution of the bank's HMDA lending is detailed in Core Tables 2 through 5 in Appendix B. The Core Tables show HMDA-related loans originated by the bank in 2001 and 2002, using demographic data based on 1990 U.S. Census data. During the evaluation, the geographic distribution of loans originated in the first two quarters of 2003 was also reviewed, using demographic data based on the 2000 U.S. Census. Patriot's lending performance in 2003 was consistent with its performance in 2001 and 2002 in the ChesMont assessment area.

Geographic Distribution in Relation to Market Performance

Patriot's home mortgage lending was compared to all lenders operating in the ChesMont assessment area. Less than 1% of all owner-occupied housing units are located in low-income geographies and, similar to Patriot's lending volume, less than 1% of all home mortgage loans made in the assessment area were made in low-income geographies. Aggregate HMDA data indicates that there were few lending opportunities for any banks operating in these geographies.

Moderate-income geographies contain 3% of all owner-occupied housing units and 2% of all home mortgage loans made in the assessment area were made in moderate-income geographies. By comparison, 16% of Patriot's home mortgage loans were originated in moderate-income geographies, indicating that the bank performed significantly better than the market in these geographies.

Small Business Lending

An analysis of the geographic distribution of small business loans was conducted in an effort to determine the dispersion of these loans among different geographies within the bank's assessment area. Penetration throughout the assessment area was excellent, particularly in moderate-income geographies.¹⁶

During the period evaluated, Patriot originated 158 small business loans, in an aggregate amount of \$21.3 million. A comparison of the number of small business loans originated in each type of geography to the number of 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 62,055 businesses within the assessment area.

Patriot's extension of credit to these businesses shows that moderate-income geographies received 11% of small business loans, while 4% of businesses are located in these geographies. Middle-income geographies received 48% of small business loans, while 36% of businesses are located in these geographies. Upper-income geographies received 41% of small business loans for their 60% share of businesses. Patriot did not originate any loans in the low-income geographies; however, just 0.1% of businesses are located in these geographies.

¹⁶ The information used to evaluate the bank's small business lending is detailed in Core Table 6 in Appendix B.

Geographic Distribution in Relation to Market Performance

Patriot's small business lending was compared to all lenders operating in the ChesMont assessment area. Aggregate data for 2001 show that less than 1% of all small businesses are located in low-income geographies and less than 1% of all small business loans made in the assessment area were made in low-income geographies. Patriot did not originate any loans in the low-income geographies. Further, while 4% of all small businesses are located in moderate-income geographies, 3% of all small business loans made in the assessment area were made in moderate-income geographies. Patriot performed significantly better than the market in these geographies, extending 11% of their small business loans in moderate-income geographies.

Distribution of Loans by Borrower Income Level and Revenue Size of the Business

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

Lending to Borrowers of Different Income Levels

Patriot's distribution of loans reflects excellent penetration among retail customers of different income levels.¹⁷ An analysis of the distribution of home mortgage loans to both low- and moderate-income borrowers, in comparison to the demographics of the assessment area, shows that of the 282,429 families in the assessment area, 25% are designated as low- or moderate-income. During the evaluation period, 28% of the bank's HMDA loans were to low- or moderate-income borrowers.

This penetration level is remarkable given the obstacles to lending. Of the families in the assessment area designated as low- or moderate-income, only 9% reside in the low- and moderate-income geographies. Most low- and moderate-income families (91%) reside in middle- and upper-income geographies, where a great majority of the available housing is located and where housing prices are higher. In addition, about 34% of the assessment area's renters expend more than 30% of gross income for housing, making it difficult for renters to save the customary down payment and closing costs necessary to purchase a house.

To effectively address the credit needs of the low- and moderate-income borrowers in its assessment areas, Patriot participates in innovative and flexible lending programs that enhance its home mortgage lending profile. Most notably:

¹⁷ The information used to evaluate the bank's lending to borrowers of different income levels is detailed in Core Table 8.

- Patriot participates in the Federal Home Loan Bank of Pittsburgh's (FHLB) Home Buyers Equity Fund (HBEF). The HBEF provides down payment and closing cost assistance to low- and moderate-income homebuyers. For every \$1 of funding provided by the participant, the FHLB will provide \$3. in matching grant assistance up to \$5,000. To be eligible for funding, participants must complete mandatory pre-homeownership counseling. During the evaluation period, Patriot originated twelve mortgages to low- and moderate-income borrowers under this program, using \$46,005 in HBEF funds.
- Patriot offers a Community Development Mortgage (CDM). Developed internally, the purpose of the loan product is to provide borrowers with the ability to purchase a home with little or no down payment. In addition, the product offers flexible underwriting standards, lower fees, and down payment assistance. Although the CDM is not restricted to low- and moderate-income borrowers, 59% of all loans originated under the program have been to low- and moderate-income borrowers, showing that the CDM product provides greater access to bank credit to these borrowers. During the evaluation period, Patriot originated 27 mortgages under this program, aggregating \$2.6 million.
- Patriot offers Fannie Mae Flexible 100 and Flexible 97 mortgages for single-family, owner-occupied principal residences. The primary benefit of this product is the low down payment (Flexible 97) or no down payment (Flexible 100) feature. Although these products are not restricted to low- or moderate-income borrowers, they serve primarily low- and moderate-income homebuyers. These loans are processed through Fannie Mae Desktop Underwriter (DU). DU has expanded underwriting flexibility, enabling the bank to originate loans to borrowers who were originally outside its traditional underwriting criteria. During the evaluation period, Patriot originated 16 mortgages under the programs, aggregating \$1.7 million.

Borrower Distribution in Relation to Market Performance

Patriot's home mortgage lending was compared to all lenders operating in Chester and Montgomery counties. An analysis of aggregate HMDA data shows that while 10% of all families in the assessment area are considered low-income, 4% of all home mortgage loans made in the assessment area were made to low-income borrowers. By comparison, 9% of Patriot's home mortgage loans were originated to low-income borrowers. In addition, while 15% of families are considered moderate-income, 14% of all home mortgage loans made in the assessment area were made to moderate-income borrowers. By comparison, 19% of Patriot's home mortgage loans were originated to moderate-income borrowers. Overall, Patriot performed significantly better than the market with both low-income and moderate-income borrowers.

Lending to Businesses of Different Sizes

An analysis of small business lending data was conducted to ascertain the extent of lending to businesses of different sizes, particularly small businesses.¹⁸ Patriot's distribution of loans reflects excellent penetration among business customers of different sizes.

A small business is defined as a business with gross annual revenues of \$1 million or less and, as such, Patriot's small business lending was analyzed to determine whether loans were made to small businesses. Of the 158 loans originated by the bank during the review period, 140, or 89%, were originated to businesses with gross annual revenues of \$1 million or less. In comparison, a review of all lenders in the market shows that just 37% of all small business loans made in the assessment area were to businesses with gross annual revenues of \$1 million or less.

In addition, of the 158 small business loans originated by the bank during the evaluation period, 60% were extended in an amount of \$100,000 or less. Since smaller size loans are generally commensurate with the borrowing needs of smaller businesses, Patriot's lending activity demonstrates that the bank is meeting the credit needs of such businesses.

To enhance its effort to address the credit needs of small businesses in its assessment areas, Patriot participates as a U.S. Small Business Administration (SBA) lender. The bank received SBA's Preferred Lender status in June 2003 and also qualified for the *SBAExpress* lending program developed by the SBA to increase the number of small loans approved by the agency. *SBAExpress* leverages private sector resources by transferring additional authority and autonomy to selected SBA lenders and streamlines the processing and costs of smaller, less complex SBA loans. During the period evaluated, Patriot has originated 39 SBA loans totaling \$8 million.

In addition, the bank operates Patriot Commercial Leasing Company, a commercial leasing subsidiary. The leasing company provides lease financing to small businesses for business equipment, office furniture, and computer systems. Leasing provides a financing alternative for small businesses in the bank's assessment areas. As of June 30, 2003, lease financings aggregated \$75.6 million.

Community Development Lending

Patriot originated an adequate level of community development loans in the ChesMont assessment area. During the period evaluated, the bank originated six community development loans, totaling \$877,000. Five of the loans, totaling \$742,000, supported affordable housing. One loan, totaling \$135,000, supported economic development.

¹⁸ The information used to evaluate lending performance is detailed in Core Table 9 in Appendix B.

Investment Test

The investment test evaluates a financial institution's level of qualified investments that serve low- or moderate-income geographies or individuals, together with the innovativeness and complexity of such investments. Qualified investments made prior to the previous evaluation, which 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.

Performance under the investment test is assessed as high satisfactory.

Volume of Investment and Grant Activity

A review of investment activity revealed that Patriot has a significant level of qualified community development investments and grants in the ChesMont assessment area. The qualified community development investments aggregate approximately \$1.4 million. Economic development was supported by 64% of total qualified investments, 32% of investments supported affordable housing and the remaining 4% supported community development services.

The bank's community development investments include a \$500,000 investment in a Pennsylvania Housing Finance Agency (PHFA) Single Family Mortgage Revenue Bond. The bond was issued in a statewide program to support affordable housing for low- and moderate-income families in Pennsylvania. This investment benefits all three of the bank's assessment areas. The portion of the investment benefiting the ChesMont assessment area totaled \$167,000.

Patriot also invested \$100,000 in The Reinvestment Fund, a Community Development Financial Institution which provides extensive financial and technical support and assistance to community development initiatives throughout the Philadelphia MSA.

In addition, Patriot holds four investments, recognized in previous evaluations, which remain outstanding. Two of these qualified investments, totaling \$775,000, support economic development in Pottstown Borough. Two additional investments, targeted mortgage-backed securities totaling \$620,000, support affordable housing in the bank's ChesMont and Reading assessment areas. The portion of this investment benefiting the ChesMont assessment area totaled \$267,000.

In addition to qualified investments, the bank made grants and contributions to various local organizations that routinely provide community and economic development services that benefit low- and moderate-income individuals and geographies within its assessment area. During the period evaluated, the bank made approximately \$56,000 in qualified grants and contributions.

In context of the bank's asset size and overall operating capacity, the present quantity (dollar volume) of investments is deemed significant. Of the bank's total current investments, 44% were attributed to the ChesMont assessment area.

Responsiveness to Credit and Community Development Needs

Patriot has demonstrated a good responsiveness to credit and community development needs through the use of investments to support community development initiatives. Qualified investments are tailored to the needs of particular geographic areas and organizations. Specifically, a majority of the bank's investments in the ChesMont assessment area support affordable housing in an area with high housing costs.

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 upon low- and moderate-income geographies and/or 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 high satisfactory in the ChesMont assessment area.¹⁹

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of its assessment area. The bank currently operates three branches in the ChesMont assessment area. One branch is located in a moderate-income geography and two are located in middle-income geographies. The following table details the locations of the bank's branches and ATMs.

¹⁹ Information used to evaluate bank performance under the Service Test is detailed in Core Table 12 in Appendix B.

Geography	Number of Branches	Percent	Number of ATMs	Percent
Low-income	0	0	0	0
Moderate-income	1	33	1	25
Middle-income	2	67	3	75
Upper-income	0	0	0	0
Totals	3	100%	4	100%

In addition, the bank operates four automated teller machines (ATM) through its 24-hour banking network linked with the Money Access Card (MAC) system that provides electronic access to banking services through a network of ATMs. Three of the ATMs are maintained at branch locations. One additional ATM is at a remote location in a middle-income geography in Montgomery County.

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

To supplement traditional banking services, Patriot provides “Online Banking” at Patriotbank.com and “Connect24” telephone banking service to its customers. “Online Banking” allows customers to check account balances, make transfers between accounts, pay bills, place a stop payment, and apply for certain loan products using their personal computer. The “Connect 24” telephone banking service allows customers to check account balances and make transfers between accounts.

Changes in Branch Locations

Since the previous evaluation, Patriot has not opened any new branches or closed any branches in the ChesMont assessment area.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

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

Community Development Services

Patriot provides a significant level of community development services in the ChesMont assessment area. Most notably:

- Bank employees provide technical assistance and serve on various committees for Montgomery County Partners for Home Ownership (MCPHO). MCPHO sponsors affordable housing workshops that include training on understanding credit and mortgages, obtaining grants, and accessing special programs for first-time homebuyers.
- A bank officer serves on the board of directors provides technical assistance to the Pottstown Area Industrial Development Authority (IDA). The IDA is dedicated to enhancing the economic viability of Pottstown Borough. Part of the Borough is a state government-designated Keystone Opportunity Zone.
- A bank employee provides technical assistance to Open Hearth. Open Hearth is a non-profit organization providing community services that support affordable housing, employment, and financial self-sufficiency for low- and moderate-income families and individuals in Chester and Montgomery counties.
- A bank employee provides technical assistance to the Kutztown University Small Business Center (SBC), Kutztown, PA. The SBC counsels small businesses within a ten county region in Pennsylvania, including Chester and Berks counties in the bank's assessment area.
- A bank mortgage lender routinely provides first-time homebuyers with pre-purchase counseling in connection with Patriot's participation in the Federal Home Loan Bank of Pittsburgh's Home Buyers Equity Fund.

Additional bank officers and employees serve in various capacities on boards and committees of numerous community development organizations. These organizations include:

- Phoenixville Area Chamber of Commerce
- Phoenixville Main Street Program
- Second Mile Mission Center
- Chester County Community Foundation
- Salvation Army and
- Montgomery County Housing Authority.

Bank Products

- Patriot offers free checking to all consumers who directly deposit their payroll or social security checks. This free checking has unlimited check writing and no minimum daily balance requirements. The account provides greater access to banking services for low- and moderate-income consumers.

- Patriot offers a free small business checking account. For small businesses that generate less than 200 checks or deposited items per month, there are no monthly service fees and no minimum balance requirement. The account provides greater access to banking services for smaller businesses. For a \$3 per month service fee, a business can add basic commercial on-line banking.
- Patriot has partnered with Open Hearth, Spring City, PA, (Montgomery County), 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 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 (home ownership, home repair, advanced education, small business funding, or retirement.) The participating bank opens FSA accounts, waives standard fees and provides participant account balance reports to the account holders and to Open Hearth. 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 six FSA accounts in the ChesMont assessment area.

As mentioned previously, Patriot employees also provide technical assistance to Open Hearth, including financial education for FSA account holders.

CRA APPENDICES

CRA APPENDIX A: GLOSSARY

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

Block numbering area (“BNA”): A statistical subdivision of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full review: Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

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

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

Home mortgage loans : Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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

Limited review: Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Metropolitan area (“MA”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”) or consolidated metropolitan statistical area (“CMSA”) as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

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

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

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

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

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

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

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

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

CRA APPENDIX B: CRA CORE TABLES

Institution ID: 00000133270 PATRIOT BANK

Table 1. Lending Volume

LENDING VOLUME		Geography: Patriot Bank						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002				
MSA/Assessment Area (2002):	% of Rated Area Loans (#) * in MSA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **		Total Reported Loans		% of Rated Area Deposits in MSA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:												
Allentown/Bethlehem/Easton (Lehigh Valley)	31.58	628	68,962	199	23,841	0	0	15	1,781	842	94,584	38.29
Philadelphia (Chester, Montgomery Counties)	28.43	594	64,433	158	21,257	0	0	6	877	758	86,567	32.70
Reading	39.98	837	74,311	223	19,942	0	0	6	384	1,066	94,637	29.01

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MSA rating area.

** The evaluation period for Community Development Loans is From November 8, 2000 to August 18, 2003.

*** Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: 00000133270 PATRIOT BANK

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: Patriot Bank						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Ea ston (Lehigh Valley)	243	27.96	0.66	2.47	6.66	19.75	69.12	59.26	23.56	18.52	0.66	6.14	61.15	32.05
Philadelphia (Chester, Montgomery Counties)	241	27.73	0.17	0.41	2.95	20.33	38.36	47.72	58.52	31.54	0.06	2.71	39.23	57.94
Reading	385	44.30	1.53	2.08	9.04	20.00	72.25	65.19	17.18	12.73	1.24	6.37	71.74	20.65

* Based on 2001 Peer Mortgage Data: Northeast Region.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: Patriot Bank								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002			
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Easton (Lehigh Valley)	74	41.57	0.66	1.35	6.66	4.05	69.12	78.38	23.56	16.22	0.67	4.68	68.71	25.93
Philadelphia (Chester, Montgomery Counties)	44	24.72	0.17	0.00	2.95	6.82	38.36	59.09	58.52	34.09	0.04	2.06	41.28	56.49
Reading	60	33.71	1.53	0.00	9.04	6.67	72.25	80.00	17.18	13.33	1.33	5.80	79.19	13.62

* Based on 2001 Peer Mortgage Data: Northeast Region.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: Patriot Bank								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002			
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Easton (Lehigh Valley)	280	29.32	0.66	0.71	6.66	6.43	69.12	69.64	23.56	23.21	0.54	4.36	64.60	30.50
Philadelphia (Chester, Montgomery Counties)	299	31.31	0.17	0.00	2.95	12.71	38.36	62.54	58.52	24.75	0.07	1.97	35.49	62.41
Reading	376	39.37	1.53	2.39	9.04	10.37	72.25	73.94	17.18	13.30	0.74	3.58	75.64	20.04

* Based on 2001 Peer Mortgage Data: Northeast Region.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: Patriot Bank								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002			
MSA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Reading	16	28.07	9.80	6.25	23.83	31.25	48.05	37.50	18.32	25.00	5.88	35.29	47.06	11.76
Philadelphia (Chester, Montgomery Counties)	10	17.54	0.64	0.00	5.09	50.00	42.97	40.00	51.30	10.00	0.00	16.92	38.46	44.62
Allentown/Bethlehem/Easton (Lehigh Valley)	31	54.39	4.57	6.45	13.77	41.94	66.98	48.39	14.68	3.23	5.48	16.44	68.49	9.59

* Based on 2001 Peer Mortgage Data: Northeast Region.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: Patriot Bank						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					
MSA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income			
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Easton (Lehigh Valley)	199	34.31	1.76	2.01	9.44	11.56	64.10	70.85	24.71	15.58	1.44	9.11	63.65	25.81
Philadelphia (Chester, Montgomery Counties)	158	27.24	0.11	0.00	4.38	11.39	35.90	48.10	59.61	40.51	0.06	3.16	33.21	63.57
Reading	223	38.45	2.83	0.90	9.44	9.42	71.10	63.23	16.64	26.46	2.24	7.59	70.87	19.30

* Based on 2001 Peer Small Business Data: US&PR.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS			Geography: Patriot Bank								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002			
MSA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income			
	#	% of Total **	% of Farms ***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Easton (Lehigh Valley)	0	0.00	0.66	0.00	2.08	0.00	72.26	0.00	25.00	0.00	0.00	0.00	66.67	33.33
Philadelphia (Chester, Montgomery Counties)	0	0.00	0.00	0.00	3.24	0.00	46.43	0.00	50.33	0.00	0.00	5.88	78.07	16.04
Reading	0	0.00	0.19	0.00	1.32	0.00	93.03	0.00	5.46	0.00	0.00	0.00	98.92	1.08

* Based on 2001 Peer Small Business Data: US&PR.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: Patriot Bank								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002				
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data			
	#	% of Total **	% Families **	% BANK Loans ****	% Families** *	% BANK Loans*** *	% Families ***	% BANK Loans*** *	% Families ***	% BANK Loans*** *	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Easton (Lehigh Valley)	243	27.96	15.88	8.23	18.47	16.88	26.53	28.57	39.12	46.32	7.30	22.54	28.29	41.87
Philadelphia (Chester, Montgomery Counties)	241	27.73	10.28	12.78	14.60	18.50	23.04	25.55	52.09	43.17	4.21	15.99	24.99	54.80
Reading	385	44.30	16.35	8.99	19.11	15.26	27.41	22.89	37.13	52.86	10.97	23.19	28.11	37.74

* Based on 2001 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for 5.06% of loans originated and purchased by BANK.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: Patriot Bank								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002				
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data *			
	#	% of Total **	% Families **	% BANK Loans ****	% Families ***	% BANK Loans ***	% Families ***	% BANK Loans ***	% Families ***	% BANK Loans ***	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Easton (Lehigh Valley)	74	41.57	15.88	13.89	18.47	20.83	26.53	29.17	39.12	36.11	8.19	20.83	26.75	44.24
Philadelphia (Chester, Montgomery Counties)	44	24.72	10.28	5.13	14.60	25.64	23.04	20.51	52.09	48.72	7.38	14.36	24.26	54.00
Reading	60	33.71	16.35	8.33	19.11	20.00	27.41	23.33	37.13	48.33	10.79	23.78	27.61	37.83

* Based on 2001 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for 3.93% of loans originated and purchased by BANK.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: Patriot Bank								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002			
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families**	% BANK Loans****	% Families***	% BANK Loans***	% Families***	% BANK Loans***	% Families***	% BANK Loans***	Low	Mod	Mid	Upp
Full Review:														
Allentown/Bethlehem/Easton (Lehigh Valley)	280	29.32	15.88	6.86	18.47	19.86	26.53	24.91	39.12	48.38	4.64	16.63	27.25	51.47
Philadelphia (Chester, Montgomery Counties)	299	31.31	10.28	7.09	14.60	18.09	23.04	26.24	52.09	48.58	3.49	11.75	22.31	62.45
Reading	376	39.37	16.35	4.38	19.11	14.79	27.41	32.88	37.13	47.95	6.44	18.15	28.32	47.09

* Based on 2001 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for 3.25% of loans originated and purchased by BANK.

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

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

Institution ID: 00000133270 PATRIOT BANK

Table11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES			Geography: Patriot Bank				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002		
MSA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data	
	#	% of Total **	% of Businesses ***	% BANK Loans ****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Allentown/Bethlehem/Easton (Lehigh Valley)	199	34.31	86.59	82.41	64.82	22.61	12.56	12,338	4,682
Philadelphia (Chester and Montgomery Counties)	158	27.24	83.70	88.61	59.49	27.22	13.29	34,281	12,682
Reading	223	38.45	84.84	83.86	74.89	17.04	8.07	7,027	2,793

* Based on 2001 Peer Small Business Data: US&PR.

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

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

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

Institution ID: 00000133270 PATRIOT BANK

Table12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS			Geography: Patriot Bank				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002		
MSA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Aggregate Lending Data	
	#	% of Total **	% of Farms ***	% BANK Loans ****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Allentown/Bethlehem/Easton (Lehigh Valley)	0	0.00	92.21	0.00	0.00	0.00	0.00	39	18
Philadelphia (Chester and Montgomery Counties)	0	0.00	89.40	0.00	0.00	0.00	0.00	190	142
Reading	0	0.00	92.94	0.00	0.00	0.00	0.00	277	214

* Based on 2001 Peer Small Business Data: US&PR.

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

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 13. Qualified Investments

QUALIFIED INVESTMENTS		Geography: Patriot Bank				Evaluation Period: November 8, 2000 TO AUGUST 18, 2003			
MSA/Assessment Area:	Prior Period Investments *		Current Period Investments		Total Investments			Unfunded Commitments **	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Allentown/Bethlehem/Easton (Lehigh Valley)	0	0	33	\$1,203	33	\$1,203	38.39	0	0
Philadelphia (Chester, Montgomery Counties)	4	1,042	49	323	53	1,365	43.55	0	0
Reading	2	\$353	70	\$213	72	\$566	18.06	0	0

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

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

Institution ID: 00000133270 PATRIOT BANK

Table 14. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: Patriot Bank						Evaluation Period: NOVEMBER 8, 2000 TO AUGUST 18, 2003							
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Allentown/Bethlehem/Easton (Lehigh Valley)	38.29	8	47	0.00	12.50	62.50	25.00	0	0	0	0	0	0	2.18	10.10	66.13	21.59
Philadelphia (Chester, Montgomery Counties)	32.70	3	18	0.00	33.33	66.67	0.00	0	0	0	0	0	0	0.29	4.09	40.44	54.74
Reading	29.01	6	35	0.00	0.00	50.00	50.00	3	1	0	0	+1	+1	3.47	12.00	69.37	15.16

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Reading MSA

Demographic Information for Full Scope Area: Reading MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	76	5.26	19.74	63.16	10.53	1.32
Population by Geography	336,523	3.47	12.00	69.37	15.16	0.00
Owner-Occupied Housing by Geography	94,336	1.53	9.04	72.25	17.18	0.00
Business by Geography	14,974	2.833.69	9.44	71.10	16.64	0.00
Farms by Geography	973	0.00	1.00	94.90	4.10	0.00
Family Distribution by Income Level	92,046	16.35	19.11	27.41	37.13	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	32,637	6.62	18.08	64.78	10.52	0.00
Median Family Income		37,755	Median Housing Value		78,993	
HUD Adjusted Median Family Income for 2003		61,200	Unemployment Rate (1990 US		2.35%	
Households Below Poverty Level		8.08%	Census)			

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

Source: 1990 US Census and 2003 HUD updated MFI

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ChesMont Assessment Area

Demographic Information for Full Scope Area: ChesMont Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	314	0.32	5.10	42.68	49.68	2.23
Population by Geography	1,054,507	0.29	4.09	40.44	54.74	0.45
Owner-Occupied Housing by Geography	283,597	0.17	2.95	38.36	58.52	0.00
Business by Geography	62,055	0.11	4.38	35.90	59.61	0.00
Farms by Geography	1,938	0.00	3.2450	47.30	49.20	0.00
Family Distribution by Income Level	282,429	10.28	14.60	23.04	52.09	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	70,254	0.69	8.71	53.45	37.15	0.00
Median Family Income		41,908	Median Housing Value		156,976	
HUD Adjusted Median Family Income for 2003		68,200	Unemployment Rate (1990 US Census)		1.68%	
Households Below Poverty Level		4.29%				

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

Source: 1990 US Census and 2003 HUD updated MFI

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Lehigh Valley Assessment Area

Demographic Information for Full Scope Area: Patriot – Allentown/Beth/Easton MA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	134	2.99	12.69	64.18	17.91	2.24
Population by Geography	538,235	2.18	10.10	66.13	21.59	0.00
Owner-Occupied Housing by Geography	145,251	0.66	6.66	69.12	23.56	0.00
Business by Geography	23,985	1.76	9.44	64.10	24.71	0.00
Farms by Geography	788	0.40	1.60	73.20	24.70	0.00
Family Distribution by Income Level	147,082	15.88	18.47	26.53	39.12	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	50,526	3.78	14.63	69.36	12.23	0.00
Median Family Income		37,523		Median Housing Value	102,153	
HUD Adjusted Median Family Income for 2002		59,700		Unemployment Rate (1990 US Census)	2.3%	
Households Below Poverty Level		7.61%				

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

Source: 1990 US Census and 2003 HUD updated MFI

CRA APPENDIX C: ASSESSMENT AREA MAP

