

# **PUBLIC DISCLOSURE**

October 2, 2006

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**SUSQUEHANNA PATRIOT BANK  
RSSD – 189419  
MARLTON, NEW JERSEY**

**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

Susquehanna Patriot Bank is rated **OUTSTANDING**.

### TABLE OF PERFORMANCE TEST RATINGS

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

<b>PERFORMANCE TEST MATRIX</b>			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	<b>X</b>	<b>X</b>	
High Satisfactory			<b>X</b>
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

Major factors contributing to the rating include the following.

- A substantial majority of the bank's loans were made inside its assessment areas.
- The geographic distribution of home mortgage loans reflects excellent penetration, and the geographic distribution of small business loans reflects good penetration throughout the bank's assessment areas.
- The distribution of borrowers, given the product lines offered by the bank, reflects excellent penetration among retail customers of different income levels and among business customers of different sizes.
- The bank has an excellent record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The bank is a leader in making community development loans.
- The bank has an excellent level of qualified community development investments and grants.
- The bank provides a relatively high level of community development services.

## INSTITUTION

### DESCRIPTION OF INSTITUTION

Susquehanna Patriot Bank (Susquehanna Patriot), headquartered in Marlton, New Jersey, is an interstate community bank operating 50 branches and providing a variety of consumer and commercial banking services to its customers in southeastern Pennsylvania and southern New Jersey. The following table details the locations of the bank's branches.

Metropolitan Area	County	Number of Branches
Allentown-Bethlehem-Easton MSA	Lehigh County, PA	5
Allentown-Bethlehem-Easton MSA	Northampton County, PA	3
Reading MSA	Berks County, PA	5
Philadelphia MSA	Montgomery County, PA	4
Philadelphia MSA	Chester County, PA	2
Philadelphia MSA	Delaware County, PA	2
Philadelphia MSA	Camden County, NJ	7
Philadelphia MSA	Gloucester County, NJ	4
Philadelphia MSA	Burlington County, NJ	5
Atlantic City MSA	Atlantic County, NJ	4
Vineland-Millville-Bridgeton MSA	Cumberland County, NJ	9
<b>Total Branches</b>		<b>50</b>

As of June 30, 2006, Susquehanna Patriot reported total assets of \$2.9 billion, of which \$2.0 billion, or 69%, were loans and leases. On a dollar volume basis, commercial loans, which include commercial mortgages and commercial and industrial loans, is the most material product offered by the bank. The second most significant product is loans secured by residential property.

The following table details Susquehanna Patriot's loan portfolio as of June 30, 2006.

LOANS as of 06/30/2006	\$000	%
Real Estate Secured		
Construction & Land Development	319,618	16.1
Secured by Residential Property (Open-End)	53,715	2.7
Secured by Residential Property (Closed-End)	352,548	17.8
Multi-Family Property	50,325	2.5
Commercial Mortgages	580,135	29.2
Commercial and Industrial	278,406	14.0
Consumer Loans	83,544	4.2
Loans to states and political subdivisions	15,667	0.8
Other Loans	6,168	0.3
Lease Financing	246,876	12.4
<b>GROSS LOANS</b>	<b>\$1,987,002</b>	<b>100%</b>

Source: Consolidated Report of Income for the period ending June 30, 2006 Schedule RC-C.

Susquehanna Patriot is a wholly-owned subsidiary of Susquehanna Bancshares, Inc. (SBI), a multi-state financial holding company with assets of \$8.3 billion as of June 30, 2006. SBI is headquartered in Lititz, Pennsylvania.

### **DESCRIPTION OF ASSESSMENT AREAS**

For purposes of CRA, Susquehanna Patriot has designated six assessment areas:

- The Philadelphia assessment area consisting of Montgomery, Delaware and Chester counties in the Pennsylvania portion of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA.
- The Camden assessment area, consisting of Camden, Burlington and Gloucester counties in the New Jersey portion of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA.
- The Reading assessment area, consisting of Berks County, Pennsylvania, which encompasses the entire Reading MSA.
- The Lehigh Valley assessment area, consisting of Lehigh and Northampton counties in the Allentown-Bethlehem-Easton, PA-NJ MSA.
- The Vineland assessment area, consisting of Cumberland County, New Jersey, which encompasses the entire Vineland-Millville-Bridgeton, NJ, MSA.
- The Atlantic City assessment area, consisting of Atlantic County, New Jersey, which encompasses the entire Atlantic City, NJ, MSA.

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

### **SCOPE OF EXAMINATION**

Susquehanna Patriot's CRA performance was evaluated for the period from October 14, 2004 through October 2, 2006. The lending, investment, and service tests were applied in assessing the bank's performance under CRA, in accordance with 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 Home Mortgage Disclosure Act (HMDA) loans], small business loans and other loans that qualified as community development.

The HMDA and small business loan data reviewed for purposes of this evaluation covered the period from July 1, 2004 through June 30, 2006. Community development loans reviewed covered the entire evaluation period.

Susquehanna Patriot's HMDA and small business loans were compared to the aggregate of all lenders in the bank's assessment areas reporting HMDA loans and small business loans. These data are reported annually. The most recent year for which information is available is 2005.

For purposes of evaluating the geographic distribution of loans, census tracts were classified on the basis of 2000 U.S. Census data and the 2004 Office of Management and Budget (OMB)<sup>1</sup> metropolitan area designations. The distribution of loans to borrowers of different income levels was evaluated based on 2006 adjusted median family income data made available by the U.S. Department of Housing and Urban Development (HUD). All other demographic indices and statistics presented throughout this evaluation are based on 2000 U.S. Census data using 2004 OMB designations unless otherwise noted.

A substantial majority of the bank's lending and operations are in the Philadelphia, Camden, Reading and Lehigh Valley assessment areas. Accordingly, a full review of the bank's performance in these assessment areas was performed. Limited reviews of the bank's CRA performance were conducted for the Vineland and Atlantic City assessment areas because of the bank's recent entry into these markets. Susquehanna Patriot acquired Minotola National Bank, Vineland, NJ, in April 2006. With this acquisition, the bank began operations in both the Vineland-Millville-Bridgeton MSA and the Atlantic City MSA.

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.

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<sup>1</sup>Pursuant to 44 U.S.C. 3504(d) (3) and 31 U.S.C. 1104 (d) and E.O. No. 10253 (June 11, 1951), the OMB defines metropolitan areas (MAs) for use in Federal statistical activities.

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**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, 2006, net loans represented 68% of total assets. The bank's national peer group average was 71%<sup>2</sup>. Susquehanna Patriot loan-to-deposit ratio measured 104% as of June 30, 2006, compared to a peer group average of 92%.

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 loans and small business loans. As the following table illustrates, a substantial majority of the bank's loans were made within its assessment areas.

<b>Exhibit #1 Susquehanna Patriot Bank Lending Inside and Outside the Assessment Area</b>								
	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Home Improvement	674	94.1	\$33,102	87.7	42	5.9	\$4,652	12.3
Home Purchase-	483	83.0	70,302	76.5	99	17.0	21,619	23.5
Home Purchase-FHA	0	0.0	0	0.0	1	100.0	88	100.0
Multi-Family Housing	41	83.7	10,298	77.4	8	16.3	3,002	22.6
Refinancing	560	93.0	62,100	83.2	42	7.0	12,500	16.8
<b>Total HMDA Loans</b>	<b>1,758</b>	<b>90.2</b>	<b>175,802</b>	<b>80.8</b>	<b>192</b>	<b>9.8</b>	<b>41,861</b>	<b>19.2</b>
Small Business	1,031	88.0	151,560	80.9	141	12.0	35,739	19.1
<b>Total Small Business Loans</b>	<b>1,031</b>	<b>88.0</b>	<b>151,560</b>	<b>80.9</b>	<b>141</b>	<b>12.0</b>	<b>35,739</b>	<b>19.1</b>
Small Farm	7	100.0	1,180	100.0	0	0.0	0	0.0
<b>Total Small Farm Loans</b>	<b>7</b>	<b>100.0</b>	<b>1,180</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>TOTAL LOANS</b>	<b>2,796</b>	<b>89.4</b>	<b>\$328,54</b>	<b>80.9</b>	<b>333</b>	<b>10.6</b>	<b>\$77,600</b>	<b>19.1</b>

**Commercial Loans**

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less. Schedule RC-C Part II (Loans to Small Businesses and Small Farms) of the bank's Consolidated Reports of Condition and Income as of June 30, 2006, indicates that 40% of Susquehanna Patriot's commercial loans were designated as small business loans, as detailed in the chart on the following page.

<sup>2</sup> Susquehanna Patriot's peer group includes all insured commercial banks having assets between \$1 billion and \$3 billion.

<b>SUSQUEHANNA PATRIOT BANK COMMERCIAL LOAN PORTFOLIO</b>		
	<b>AMOUNT OUTSTANDING AS OF 6/30/2006 (\$000's)</b>	<b>PERCENT</b>
<b>Loans with original amounts of \$100,000 or less</b>	\$34,575	4%
<b>Loans with original amounts of more than \$100,000 through \$250,000</b>	83,844	10%
<b>Loans with original amounts of more than \$250,000 through \$1,000,000</b>	225,179	26%
<b>TOTAL SMALL BUSINESS LOANS</b>	<b>343,598</b>	<b>40%</b>
<b>Loans with original amounts of greater than \$1,000,000</b>	514,943	60%
<b>TOTAL COMMERCIAL LOANS</b>	<b>\$858,541</b>	<b>100%</b>

### **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 excellent penetration given the economics and demographics of the assessment areas.

Susquehanna Patriot's participation in innovative and flexible lending programs, which address the specific credit needs of low- and moderate-income borrowers in its assessment areas, enhances its home mortgage lending profile. Most notably, the bank developed CRA mortgage loan products to provide low- and moderate-income borrowers with the ability to purchase a home. The products allow for flexible underwriting standards and the use of alternative credit when no credit score exists.

The distribution of loans among businesses of different sizes, including small businesses, also reflects excellent penetration. To enhance its efforts in addressing the credit needs of small businesses in its assessment areas, Susquehanna Patriot participates as a U.S. Small Business Administration (SBA) lender.

### **Community Development Loans**

Susquehanna Patriot is a leader in making community development loans. During this review period, the bank originated 36 community development loans aggregating \$29.0 million. A substantial majority of these loans (32 loans aggregating \$13.8 million) supported affordable housing and were responsive to specified needs in the bank's assessment areas. Three loans, totaling \$14.8 million, supported economic development initiatives in the bank's assessment areas. One loan, aggregating \$403 thousand, supported the provision of community development services in the assessment areas.



## **INVESTMENT TEST**

Susquehanna Patriot has an excellent level of qualified community development investments and grants. Investments totaling \$14.9 million primarily support affordable housing initiatives throughout the bank's six assessment areas. Qualified investments in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA total \$11.1 million, or 75% of Susquehanna Patriot's total investments. For the state of Pennsylvania, which includes the Reading MSA and Lehigh Valley assessment areas, qualified investments total \$3.5 million, or 23% of total investments. For the state of New Jersey, which includes the Vineland-Millville-Bridgeton MSA and the Atlantic City MSA assessment areas, qualified investments total \$244 thousand, or 2% of total investments.

## **SERVICE TEST**

Branch delivery systems, as well as alternative delivery systems such as ATMs, telephone and Internet banking, are accessible to essentially all portions of the bank's assessment areas. Banking services do not vary in a way that inconveniences certain portions of the bank's assessment areas, particularly low- and moderate-income census tracts or low- or moderate-income individuals.

Susquehanna 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**

A review of the bank's credit practices did not reveal any violations of the substantive provisions of anti-discrimination laws, including the Equal Credit Opportunity Act, which is implemented through Regulation B, the Home Mortgage Disclosure Act, which is implemented through Regulation C, the Fair Housing Act, or any other relevant law or regulation prohibiting discrimination of similarly situated credit applicants.

## MULTI-STATE METROPOLITAN AREA

### PHILADELPHIA-CAMDEN-WILMINGTON, PA-NJ-DE-MD METROPOLITAN AREA CRA RATING<sup>3</sup>

Performance Test	Performance Level
Lending	Outstanding
Investment	Outstanding
Service	Outstanding
<b>Overall</b>	<b>Outstanding</b>

### SUMMARY OF MAJOR FACTORS SUPPORTING RATING

Major factors contributing to this rating include the following:

- 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 excellent penetration among retail customers of different income levels and among business customers of different sizes.
- The bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The bank is a leader in making community development loans.
- The bank has an excellent level of qualified community development investments and grants.
- The bank is a leader in providing community development services.

### SCOPE OF EXAMINATION

The Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA (Philadelphia MSA) includes three metropolitan divisions (MD): the Philadelphia MD, the Camden MD and the Wilmington MD. For purposes of this CRA evaluation, Susquehanna Patriot has designated the Camden MD (Camden, Burlington and Gloucester counties in New Jersey) and a portion of the Philadelphia MD (Delaware, Chester and Montgomery counties in Pennsylvania) as assessment areas. Susquehanna Patriot's CRA performance in these two assessment areas was evaluated separately.

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<sup>3</sup> This rating reflects overall performance within the multi-state metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multi-state metropolitan area.

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## CAMDEN, NJ METROPOLITAN DIVISION

### **DESCRIPTION OF ASSESSMENT AREA**

The Camden MD consists of Camden, Burlington and Gloucester counties in southern New Jersey. According to 2000 Census data, the total population of the Camden MD is 1.2 million. The assessment area consists of 19 low-income census tracts and 49 moderate-income tracts. These census tracts account for 21% of the assessment area's total census tracts and 18% of the assessment area's population resides within these tracts. Of the 19 low-income census tracts, 18 are located in the city of Camden and one is in Wrightstown, Burlington County. Of the 49 moderate-income census tracts, 25 are located in Camden County (three in the city of Camden), 18 in Burlington County, and six in Gloucester County.

Susquehanna Patriot's performance in the Camden MD was evaluated in terms of the demographic and business context in which it operates. The assessment area is a highly competitive market with many large regional banking organizations, mortgage companies, and community banks. Based on deposits reported to the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2006, Susquehanna Patriot operated 17 branches in the Camden MD and these branches contain \$685 million in deposits, or 36% of the bank's total deposits. The bank ranks 6<sup>th</sup> in the assessment area, with 3% of the retail deposit market. Commerce Bank, N.A., headquartered in Cherry Hill, New Jersey, dominates the market with 30% of deposits.

Regarding HMDA loans, Susquehanna Patriot ranks 91<sup>st</sup> in the assessment area with less than 1% of all such loan originations and purchases. Countrywide Homes ranked 1<sup>st</sup>, with 10% of HMDA loans. Regarding small business lenders, Susquehanna Patriot ranked 18<sup>th</sup> among lenders operating in the assessment area with 1% of the market. Competition is strong for small business loans, with 104 lenders reporting 31,841 small business loans in 2005. Over 80% of these loans were originated by specialized lenders and include business credit cards. Commerce Bank ranked 11<sup>th</sup> with 2% of the market and is the only local bank ranked higher than Susquehanna Patriot.

### **ECONOMIC CHARACTERISTICS**

The Camden MD is located within the Philadelphia MSA and, as a result, the bank's local market economy is dependent upon the economic vitality of the city of Philadelphia. Philadelphia is the largest city in Pennsylvania and the fifth largest city in the nation with a population of 1.5 million.

The economy of the Philadelphia MSA is diverse, and not solely dependent on any one major industry or employer. The economy continues to see job growth, particularly in professional and health services.

Camden County is the largest of the three counties in the MD. Within the county is the city of Camden, one of the poorest cities in the nation. Of the city's 21 census tracts, 18 are designated as low-income and three are moderate-income. The median family income for the city is \$24,653, with 81% of families designated as low- or moderate-income. Families living below the poverty level represented 33% of total families. The city's September 2006 unemployment rate was 12.2%, compared to 4.9% for the state of New Jersey. The city is part of a government-designated Philadelphia-Camden Bi-State Empowerment Zone.

The Empowerment Zone initiative is a federally funded program that offers federal tax incentives to companies operating within a Zone. The city is also part of the Urban Enterprise Zone Program enacted by the state of New Jersey to revitalize the state's most distressed urban communities through the creation of public and private investment.

Camden's economy has picked up pace in recent months, gaining strength in leisure/hospitality, financial services, and business/professional services. Growth, however, still lags behind the national pace. Assessment area strengths include a high industrial diversity, a prime waterfront area situated directly across the Delaware River from Philadelphia, and affordable housing compared to the rest of New Jersey. Continued weaknesses include the high crime rate in downtown Camden and a low per capita income relative to both the state and the region.

The largest employers in the Camden MD include VIRTUA Health, Lockheed Martin, Cooper Health Systems, Commerce Bank, PHH Mortgage, and Kennedy Health Systems. Susquehanna Patriot's local banking competitors include Commerce Bank, Wachovia Bank, Sovereign Bank, and Washington Mutual Bank FA.

The following table presents unemployment rates for the assessment area and the state.

<b>Locations</b>	<b>September 2006</b>	<b>September 2005</b>
Camden County	5.6%	4.6%
Burlington County	4.3%	3.7%
Gloucester County	4.9%	4.1%
Camden MD	5.0%	4.2%
State of New Jersey	4.9%	4.2%

In February 2004, the Consumer and Community Affairs Department of the Federal Reserve Bank of Philadelphia published a report titled Community Profile for Lenders: Burlington, Camden, Gloucester and Salem Counties. The report provides information and insights into the perceived credit needs and opportunities in the New Jersey 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 Camden. Community leaders noted the following credit needs existed in the assessment area: (1) specialized home mortgage products targeted to low- and moderate-income first-time homebuyers; (2) affordable rental housing for families; and (3) loans and technical support for small businesses.

## **HOUSING**

The Camden MD contains 456,044 housing units, of which 71% are owner-occupied and 24% are rental units. According to 2000 Census data, in low-income census tracts the level of owner-occupancy is just 37%, while rental units account for 45% of all housing. In moderate-income census tracts, owner-occupancy is 48%, while rental units account for 43% of housing.

Single-family units comprise 77% of total housing units, while multi-family units comprise 15% of units, two-to-four family units comprise 7%, and mobile homes 2%. The median housing value in the assessment area is \$119,811, significantly lower than the state median housing value of \$167,900. A significant disparity exists between the median housing value in the assessment area's upper-income census tracts (\$171,578) and in the low- (\$40,665), moderate- (\$86,284) and middle-income (\$113,788) census tracts. Moody's Economy.com, Inc., estimates that the average existing home price in the Camden MD in 2005 was \$214,800, up from \$185,800 in 2004. Although the suburban areas have higher housing values, high housing costs significantly limit homeownership opportunities for low- and moderate-income families throughout the assessment area.

### **BORROWER INCOME DATA**

According to 2000 Census data, the median family income for the Camden MD was \$62,031, compared to \$58,393 for the Philadelphia MSA, and \$65,370 for the state of New Jersey. HUD has reported that the adjusted median family income for the Camden MD in 2006 was \$77,300.

Of the 310,492 families in the Camden MD, 19% were designated as low-income and 18% were designated as moderate-income, according to 2000 Census data. Families living below the poverty level represented 6% of the total families in the assessment area. In the state of New Jersey, 6% of families live below the poverty level.

### **GEOGRAPHIC BUSINESS DATA**

The percentage of businesses located within designated census tracts is used as a proxy to estimate demand for business credit within such census tracts. According to business demographics, 41,719 businesses are located in the Camden MD. According to 2000 Census data, 4% of these businesses are located in low-income census tracts and 10% are in moderate-income census tracts. The substantial majority of businesses remain in middle- (58%) and upper-income (28%) census tracts. Business demographic data also revealed that of the 41,719 businesses in the assessment area, 86% are small businesses. A small business is defined as a business with gross annual revenues of \$1 million or less.

The demographics used in rating Susquehanna Patriot under the performance tests are detailed in the table on the following page.

Exhibit #2 Camden, NJ MD Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	19	6.0	15,767	5.1	5,288	33.5	57,768	18.6
Moderate-income	49	15.4	36,219	11.7	3,410	9.4	56,893	18.3
Middle-income	182	57.2	185,996	59.9	7,083	3.8	75,935	24.5
Upper-income	63	19.8	72,510	23.3	1,303	1.8	119,896	38.6
Unknown income	5	1.6	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>318</b>	<b>100.0</b>	<b>310,492</b>	<b>100.0</b>	<b>17,084</b>	<b>5.5</b>	<b>310,492</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
	#	#	%	%	#	%	#	%
Low-income	26,623	9,708	3.0	36.5	12,051	45.3	4,864	18.3
Moderate-income	63,128	30,211	9.4	47.9	27,305	43.3	5,612	8.9
Middle-income	273,205	201,868	62.7	73.9	59,067	21.6	12,270	4.5
Upper-income	93,088	80,202	24.9	86.2	10,420	11.2	2,466	2.6
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>456,044</b>	<b>321,989</b>	<b>100.0</b>	<b>70.6</b>	<b>108,843</b>	<b>23.9</b>	<b>25,212</b>	<b>5.5</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	1,443	3.5	1,211	3.4	155	3.4	77	5.8
Moderate-income	4,340	10.4	3,640	10.2	502	11.0	198	14.9
Middle-income	24,078	57.7	20,768	57.9	2,554	56.1	756	56.8
Upper-income	11,736	28.1	10,156	28.3	1,284	28.2	296	22.2
Unknown income	122	0.3	61	0.2	57	1.3	4	0.3
<b>Total Assessment Area</b>	<b>41,719</b>	<b>100.0</b>	<b>35,836</b>	<b>100.0</b>	<b>4,552</b>	<b>100.0</b>	<b>1,331</b>	<b>100.0</b>
	Percentage of Total Businesses:			<b>85.9</b>		<b>10.9</b>		<b>3.2</b>
	Total Farm By Tract	Farm by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	4	1.0	1	0.3	3	12.5	0	0.0
Moderate-income	15	3.9	14	3.9	1	4.2	0	0.0
Middle-income	230	59.6	218	60.2	12	50.0	0	0.0
Upper-income	137	35.5	129	35.6	8	33.3	0	0.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>386</b>	<b>100.0</b>	<b>362</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	Percentage of Total Farm:			<b>93.8</b>		<b>6.2</b>		<b>0.0</b>

## **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, including loans originated in low- and moderate-income census tracts.
- Borrowers' profile, including the distribution of loans to low- and moderate-income borrowers and small businesses.
- Overall responsiveness to credit needs of highly economically disadvantaged census tracts, low-income persons, and very small businesses.
- Community development lending activities.

Performance under the lending test is outstanding in the Camden MD assessment area.<sup>4</sup>

### **Geographic Distribution of Loans**

#### **Home Mortgage Lending**

The geographic distribution of loans was analyzed to determine the dispersion of the bank's loans among different census tracts within the Camden MD. The analysis reflected excellent penetration throughout the assessment area, including low- and moderate-income census tracts.

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such tracts. A lower level of owner-occupied units limits lending opportunities in these census tracts. According to 2000 Census data, 3% of all owner-occupied housing units are located in low-income census tracts and 9% are in moderate-income census tracts. By comparison, 11% of Susquehanna Patriot's home mortgage loans were originated in low-income census tracts and 5% in moderate-income census tracts.

Susquehanna Patriot's home mortgage lending was compared to all other lenders operating in the Camden MD. An analysis of this data showed that while 3% of owner-occupied housing units are located in low-income census tracts, only 2% of all home mortgage loans made in the assessment area were made in low-income census tracts. By comparison, 11% of Susquehanna Patriot's home mortgage loans were originated in low-income census tracts. Also, while 9% of housing units are located in moderate-income census tracts, 10% of all home mortgage loans were made in those tracts. By comparison, 5% of Susquehanna Patriot's home mortgage loans were in moderate-income census tracts.

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<sup>4</sup>The information used to evaluate Susquehanna Patriot's lending activity in each of its assessment areas is detailed in the **CRA LOAN DISTRIBUTION TABLES** contained in Appendix B.

Although bank lending in moderate-income census tracts is below both aggregate and owner-occupied housing levels, it is considered reasonable and supports an overall excellent performance by Susquehanna Patriot based on its performance in low-income areas where lending is significantly higher than both aggregate and housing levels. Overall, 16% of Susquehanna Patriot's home mortgage loans were originated in low- and moderate-income census tracts, compared to 12% for all lenders. Participation in innovative and flexible lending programs and services that address the specific credit needs of low- and moderate-income borrowers in the Camden MD enhances Susquehanna Patriot's home mortgage lending profile. For a discussion of these efforts, see the **Community Development Lending** (page 16) and the **SERVICE TEST** (page 18) sections of this evaluation.

### **Small Business Lending**

The geographic distribution of small business loans was analyzed to determine the dispersion of these loans among different census tracts within the assessment area. The analysis reflects excellent penetration throughout the assessment area, including low- and moderate-income census tracts.

Susquehanna Patriot originated 293 small business loans in the Camden MD, aggregating \$59.6 million. A comparison of the number of small business loans originated in each type of census tract to the number of businesses located in those tracts demonstrates the bank's commitment to making credit available to its entire community.

The bank's extension of credit to these businesses shows that low-income census tracts received less than 1% of small business loans, while 4% of businesses are located in these census tracts. Moderate-income census tracts received 15% of small business loans, while 10% of businesses are located in these tracts. Middle-income census tracts received 47% of small business loans for their 58% of businesses. Upper-income census tracts received 36% of small business loans for their 28% share of businesses.

Susquehanna Patriot's small business lending was compared to all lenders operating in the Camden MD. Aggregate data show that while 4% of businesses are located in low-income census tracts, 2% of all small business loans were made in these tracts, reflecting limited lending opportunities for any bank operating in these tracts. Susquehanna Patriot originated 1% of its loans in low-income census tracts. Also, 10% of businesses are located in these tracts and 9% of all small business loans were made in moderate-income census tracts. By comparison, 15% of Susquehanna Patriot's small business loans were in moderate-income census tracts.

This level of lending activity by the bank is considered excellent given the demographics of the assessment area, particularly the limited lending opportunities in low-income census tracts and Susquehanna Patriot's excellent performance in moderate-income census tracts where lending is significantly higher than both aggregate lending and business demographic levels. Overall, Susquehanna Patriot originated 15% of its small business loans in low- and moderate-income census tracts, compared to 11% for all lenders.



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

Home mortgage and small business lending data were analyzed, in conjunction with a review of the demographic and economic characteristics of the assessment area, to determine the extent of lending to borrowers of different income levels and to businesses of different sizes.

#### **Lending to Borrowers of Different Income Levels**

Of the 310,492 families in the Camden MD, 19% are designated as low-income and 18% are moderate-income. By comparison, 22% of Susquehanna Patriot's home mortgage loans were originated to low-income borrowers and 17% to moderate-income borrowers. This distribution of bank loans reflects excellent penetration among retail customers of different income levels, particularly low- and moderate-income borrowers.

Susquehanna Patriot's home mortgage lending was compared to all lenders operating in the Camden MD. An analysis of aggregate loan data show that while 19% of families in the Camden MD are considered low-income, just 6% of all home mortgage loans were made to low-income borrowers. By comparison, 22% of Susquehanna Patriot's loans were originated to low-income borrowers. Also, while 18% of families are considered moderate-income, 21% of all home mortgage loans were made to moderate-income borrowers. By comparison, 17% of Susquehanna Patriot's home mortgage loans were to moderate-income borrowers.

Participation in innovative and flexible lending programs that address the specific credit needs of low- and moderate-income borrowers, enhances the bank's home mortgage lending profile. Most notably, the bank developed CRA mortgage loan products to provide low- and moderate-income borrowers with the ability to purchase a home. The products allow for flexible underwriting standards and the use of alternative credit when no credit score exists. During the evaluation period, the bank originated 224 loans under these programs, aggregating \$22.4 million.

#### **Lending to Businesses of Different Sizes**

Small business lending data were analyzed to determine the extent of lending to businesses of different sizes, especially small businesses. Of the 293 small business loans originated by the bank during the examination period, 48% were extended in an amount of \$100 thousand or less. The number of small business loans originated in smaller amounts is significant because smaller size loans are generally commensurate with the borrowing needs of small businesses. Susquehanna Patriot's lending activity therefore demonstrates that the bank is meeting the credit needs of small businesses.

The bank's small business lending is further quantified to determine whether loans were made to businesses with gross annual revenues of \$1 million or less. Of the 293 loans originated, 43% were originated to businesses with gross annual revenues of \$1 million or less. By comparison, a review of all lenders in the market shows that 43% of all commercial loans made in the Camden MD were to businesses with gross annual revenues of \$1 million or less.

To enhance its efforts in addressing the credit needs of small businesses in its assessment areas, Susquehanna Patriot participates as a U.S. Small Business Administration (SBA) lender. During the period evaluated, it originated 90 SBA loans, totaling \$33.3 million. The bank also operates a commercial leasing subsidiary, Susquehanna Patriot Bank Leasing Company, which provides lease financing to small businesses for equipment, office furniture, and computer systems. Leasing provides a financing alternative for small businesses. As of August 31, 2006, lease financings aggregated \$159.5 million.

Susquehanna Patriot also participates in the Cooperative Business Assistance Corporation (CBAC) Microloan Program. The CBAC is a community development financial institution providing business loans and technical assistance to small businesses located in, or relocating to, Camden, Gloucester or Atlantic counties. CBAC's Microloan Program provides economically distressed communities with a flexible and continuing source of capital. Under this program, the bank originated one small business loan, aggregating \$5 thousand, to a small business operating in the city of Camden.

### **Community Development Lending**

Susquehanna Patriot is a leader in making community development loans in the Camden MD. During the time period evaluated, the bank originated four community development loans totaling \$15.9 million. One loan, totaling \$8.3 million, supports economic development. Two loans, aggregating \$7.2 million, support affordable housing initiatives, and one loan, totaling \$403 thousand, supports community development services in the assessment area. The bank's community development loans include the following.

- A \$8.3 million participation in a \$33.3 million loan to finance the construction of a parking garage and retail space in a low-income census tract in the city of Camden. The loan is considered community development because it helps to stabilize a distressed urban community having difficulty attracting new businesses.
- A \$6.3 million participation in an \$8.5 million loan to fund the construction of a 101-unit apartment complex for low- and moderate-income seniors in Gloucester County. The Federal Home Loan Bank of New York (FHLB New York), the Council on Affordable Housing and the Casino Redevelopment Authority provided additional funding for the project.
- A \$403 thousand loan to a local board of education to fund school bonds. The loan is considered community development because the municipality consists of one moderate-income census tract in Camden County and the loan proceeds will fund schools serving primarily low- and moderate-income families and children.
- An \$850 thousand line of credit to an affordable housing group to finance the construction of 30 single-family homes in the city of Camden for sale to low- and moderate-income borrowers. Grants from the City of Camden and the FHLB New York partly supplemented the cost of construction.

### **Responsiveness to Credit Needs**

Susquehanna Patriot exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of the Camden MD, including low-income borrowers and very small businesses, consistent with safe and sound banking practices. The bank achieved this strong record primarily through its community development lending and specialized home mortgage loan programs.

### **INVESTMENT TEST**

The investment test evaluates a financial institution's level of qualified investments that serve low- or moderate-income census tracts or individuals. The test also considers the innovativeness and complexity of these 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" includes a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Performance under the investment test is outstanding in the Camden MD. Of Susquehanna Patriot's total current investments, 56% were attributed to this assessment area.

### **Volume of Investment and Grant Activity**

A review of investment activity revealed that Susquehanna Patriot has an excellent level of qualified community development investments and grants in the Camden MD. Overall, investments aggregate \$8.4 million. The substantial majority of these investments (97%) support affordable housing. The remaining 3% support community development services and economic development.

The bank's investments include a \$5.1 million investment in The CRA Qualified Investment Fund. The investment finances affordable housing for low- and moderate-income families, seniors, and individuals within the bank's assessment area, or a larger regional area, which includes the bank's assessment area.

The bank also holds two investments, aggregating \$6.8 million that support affordable housing in all of their assessment areas. The portion of the investments benefiting the Camden MD totals \$2.9 million. The investments are targeted mortgage-backed securities containing residential mortgage loans originated to low- and moderate-income borrowers, or inside low- and moderate-income census tracts, in the assessment area.

Susquehanna Patriot holds two additional investments recognized in previous evaluations, which remain outstanding. The investments, aggregating \$94 thousand, support affordable housing initiatives in the Camden MD.

The bank also made grants and contributions to various organizations that routinely provide affordable housing and community development services that benefit low- and moderate-income individuals and census tracts. During the period evaluated, the bank made \$340 thousand in qualified grants and donations that benefit the Camden MD.

### **Responsiveness to Credit and Community Development Needs**

Susquehanna Patriot was responsive 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 large portion of the bank's investments support affordable housing in an area with rising housing costs and a low per capita income.

### **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 census tracts or low- and moderate-income persons in the assessment area.
- The reasonableness of business hours and services in meeting assessment area needs.
- The extent to which an institution provides community development services.

Performance under the service test is rated outstanding in the Camden MD.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of its assessment area. The bank currently operates 16 branches in the Camden MD, although none are located in low- or moderate-income census tracts. By comparison, 18% of the assessment area population resides in low- and moderate-income census tracts. However, of the bank's 16 branches in the assessment area, 13 have late evening hours and weekend hours. The following table details the locations of the bank's branches and the population served.

<b>Geography</b>	<b>Number of Branches</b>	<b>Percent Branches</b>	<b>Population</b>	<b>Percent Population</b>
Low-income	0	0	71,255	6
Moderate-income	0	0	146,938	12
Middle-income	9	56	705,956	60
Upper-income	7	44	262,665	22
<b>TOTALS</b>	<b>16</b>	<b>100%</b>	<b>1,186,814</b>	<b>100%</b>

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

To supplement traditional banking services, Susquehanna Patriot offers Internet banking to its customers free of charge on [www.susquehanna.net](http://www.susquehanna.net). By accessing Susquehanna Patriot's *Internet Banker*, customers can view account balances, transfer funds between accounts, and issue stop payments.

In addition, the bank's Customer Service Center allows customers to bank by telephone. Through the Center, customers can access account information, open new accounts, renew CDs, apply for loans, and transfer funds between accounts.

### **Changes in Branch Locations**

To the extent changes have been made, Susquehanna Patriot's record of opening and closing branches in the Camden MD has not adversely affected the accessibility of its delivery systems in low- and moderate-income census tracts or to low- and moderate-income individuals. Since the previous evaluation, Susquehanna opened two new branches in middle-income census tracts. The branches are located at:

- 160 Mt. Holly By-Pass, Lumberton, New Jersey
- 600 Delsea Drive, Glassboro, NJ.

The bank has not closed any branches in this assessment area since the last evaluation.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

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

### **Community Development Services**

Susquehanna Patriot is a leader in providing community development services in the Camden MD.

- Susquehanna Patriot is a member of the FHLB New York and an active participant in its Affordable Housing Program (AHP). The purpose of the AHP is to provide subsidies for: (1) projects that finance homeownership for low- and moderate-income households or (2) projects that finance rental housing where at least 20% of the units will be occupied by (and affordable for) low-income households.

Only member institutions of the FHLB can submit AHP applications. Therefore, non-profit agencies, local governments, and community development organizations must obtain the support of member institutions to apply for AHP funds. Susquehanna Patriot sponsored two AHP applications on behalf of the Camden County Council on Economic Opportunity and Robins Nest, Inc. These housing projects involve AHP grants totaling \$375 thousand and 40 units of affordable housing.

- The Bank sponsored or provided employees to participate in numerous workshops and seminars marketed to low- and moderate-income first-time homebuyers and small businesses. The community development organization partners include Housing and Economic Opportunities, Family Services Association of Southern New Jersey, Heart of Camden, and the Camden County Counsel of Economic Development.

- A bank officer serves on the board of Family Services Association (FSA) of Southern New Jersey. FSA is a non-profit, multi-service agency providing a wide range of social services. These community-based services include consumer credit counseling, financial management workshops, and employee assistance including a “Ways To Work Family Loan Program” which makes small loans to low-income clients for transportation in an effort to help them get or keep jobs.
- A bank employee serves on the loan committee of the CBAC, a non-profit community development financial institution providing loans and technical assistance to small businesses in southern New Jersey.

Many other bank officers and employees provide technical expertise to community development organizations, which include the following.

- Alliance for the Revitalization of Camden
- Barrington Economic Development Committee
- Burlington County First-Time Homebuyers Grant Program
- Camden County Business Leaders Forum
- Camden County Workforce Investment Board
- Entrepreneurial Development Training Project
- Gloucester County Habitat For Humanity
- Gloucester County Loan Fund
- Goodwill Industries of Southern New Jersey
- Habitat For Humanity Camden
- Jewish Camden Partnership
- The Latin American Economic Development Association
- Neighborhood Housing Services of Camden
- People 4 People Foundation
- Rutgers University of Camden Family Business Forum
- St. Joseph Carpenter Society

### **Bank Products**

Susquehanna Patriot offers bank products that provide greater access to banking services for low- and moderate-income customers and small businesses.

- A *Free Checking* account that offers unlimited check writing, no minimum daily balance requirements and no monthly service fee, provided the customer has a direct deposit relationship or active VISA Check Card.
- An *Economy Checking* account designed for consumers who write eight or less checks per month. The account has no minimum balance requirement and a \$3.00 monthly service fee.

- A *NJ Consumer Checking* account, for its New Jersey customers, that offers a low-cost account designed for consumers who write eight or fewer checks per month. The account has no minimum balance requirement and a \$3.00 monthly service fee.

All three checking accounts provide greater access to banking services for low- and moderate-income consumers.

Susquehanna Patriot also offers a *Flex Business Checking* account, with no monthly service fees or minimum balance requirements, for businesses that generate 150 or fewer checks or deposited items per month. This account provides greater access to banking services for small businesses.

## **PHILADELPHIA, PA METROPOLITAN DIVISION**

### **DESCRIPTION OF ASSESSMENT AREA**

The Philadelphia MD consists of Philadelphia, Montgomery, Bucks, Delaware and Chester counties in Pennsylvania. Susquehanna Patriot's Philadelphia assessment area is comprised of Delaware, Chester and Montgomery counties. The assessment area has 470 census tracts, 12 of which are low-income and 41 moderate-income. Eleven of the low-income census tracts are located in Delaware County (9 in the city of Chester and 2 in Darby Borough). The remaining low-income census tract is in Norristown Borough in Montgomery County. Two percent of the assessment area's population resides in these low-income census tracts.

Of the 41 moderate-income census tracts, more than half (22) are located in Delaware County, primarily in Chester, Marcus Hook, Yeadon, Colwyn, Collingdale, Upper Darby and Darby Borough. The remaining moderate-income census tracts are located in Montgomery County (Norristown, Conshohocken, Bridgeport and Pottstown) and in western Chester County (Oxford, Coatesville, Phoenixville and West Chester Borough). Almost 8% of the assessment area's population resides in the moderate-income census tracts.

Susquehanna Patriot's performance was evaluated in terms of the demographic and business context in which it operates. According to the FDIC's Summary of Deposits, as of June 30, 2006, 70 depository institutions operate in Chester, Montgomery and Delaware counties. These institutions maintained a total of 733 branches holding \$43.1 billion in deposits. Susquehanna Patriot, with eight branches in these counties, ranked 23<sup>rd</sup> with \$313 million, or 1% of the retail deposit market. The Philadelphia assessment area branches hold approximately 16% of Susquehanna Patriot's total deposits.

The Philadelphia MD is a highly competitive marketplace in which large super-regional banks compete with numerous community banks, savings and loan associations, credit unions and non-financial institutions. Susquehanna Patriot's major competitors include Wachovia Bank, Citizens Bank of Pennsylvania, Commerce Bank, and Sovereign Bank. GMAC Bank holds the largest market share of deposits with 15%, and Wachovia Bank ranks second with 13% of the market.

Susquehanna Patriot's home mortgage loans were compared to the aggregate of all lenders in the market reporting HMDA loans. These data are reported annually, and 2005 is the most recent year for which information was available. The bank ranks 111<sup>th</sup> with a market share of less than 1%, in a market with 691 HMDA reporters. No single financial institution dominates the market. Sovereign Bank, headquartered in neighboring Berks County, is the highest ranked local bank at 8<sup>th</sup>, holding 2% of the market.

Regarding small business lending, Susquehanna Patriot ranks 24<sup>th</sup> in the assessment area with less than 1% of the market. CitiBank and MBNA America (Delaware), which was later acquired by Bank of America, NA, ranked 1<sup>st</sup> and 2<sup>nd</sup> with 18% and 17% of the market, respectively. Sovereign Bank is the highest ranked area bank at 14<sup>th</sup>, holding 1% of the market. In 2005, the assessment area had a total of 135 small business reporters.

### **ECONOMIC CHARACTERISTICS**

Philadelphia is the largest city in Pennsylvania and the fifth largest in the nation, with a population of 1.5 million. The economy of the Philadelphia MD is diverse, and not solely dependent on any one major industry or employer. The economy continues to see job growth in the service sector, especially in professional and health services. Construction payrolls have also grown recently; however, the manufacturing, transportation, and government sectors continue to lay off workers, so the region's job growth remains below the national average. Bright spots include the life science industries and the area's universities, but the high cost of doing business and the manufacturing sector's continuing decline hamper growth. The overall picture remains positive because of continued expansion in the healthcare industry.

The area's strengths continue to be a concentration of well-regarded educational institutions, its position as a center for health services and medical research, relatively affordable housing and living costs, and a well developed port. However, the area has a lower per capita income than other large northeastern metropolitan areas and weak population growth. The top six private sector employers in the Philadelphia MD are the University of Pennsylvania, Jefferson Health System, Merck and Company, The Vanguard Group, Temple University Health Systems and Children's Hospital of Philadelphia. Reflecting the list of top employers, the education and health services sector accounts for 20% of total employment in the MD.

Unemployment rates for the assessment area are presented in the following table. Delaware County has the highest unemployment rate of the three counties in the assessment area. The rates are lower in the three suburban counties when compared to the Philadelphia MD as a whole and to the state.

<b>Locations</b>	<b>September 2006</b>	<b>September 2005</b>
Delaware County	4.2	4.4
Chester County	3.1	3.2
Montgomery County	3.4	3.6
Philadelphia MD	4.4	4.7
Philadelphia MSA	4.5	4.6
Pennsylvania	4.6	4.5



In February 2004, the Consumer and Community Affairs Department of the Federal Reserve Bank of Philadelphia published a report titled Community Profile: Pennsylvania Counties of the Philadelphia Metropolitan Statistical Area. The report provides information and insights into the perceived credit needs and opportunities in the Philadelphia MD. Information in the report was obtained from interviews and contacts with bankers, community organizations, and local government officials.

Community contacts throughout the assessment area agreed that affordable housing is one of the most pressing needs. The high cost of housing in the suburban counties significantly limits homeownership opportunities for low- and moderate-income families in the assessment area. The disparity between incomes and housing costs, either owned or rented, suggests a need for loan programs for low- and moderate-income families and first-time homebuyers. Community contacts also noted a need for the development of rental properties for the low- and moderate-income population.

## HOUSING

Susquehanna Patriot's Philadelphia assessment area contains 678,185 housing units, of which 71% are owner-occupied and 25% are rental units. In low-income census tracts, the level of owner-occupancy is just 41%, while rental units account for 44% of all housing. In moderate-income census tracts, the level of owner-occupancy is 44%, while rental units account for 46% of housing units. The owner-occupancy rates in the Philadelphia MD and the state are 64% and 65%, respectively.

In the assessment area, single-family units comprise 76% of the housing units, while multi-family units comprise 15%, two-to-four-family units comprise 8%, and mobile homes 1%. The median age of the housing stock is 40 years, compared to a median age of 45 years in the Philadelphia MD, and 43 years in the state. Median rent is \$723, with 35% of renters paying more than 30% of their income for housing. Median rent in the Philadelphia MD is lower at \$641, with 39% of renters paying more than 30% of their income for housing. In the state, median rent is \$531, with 35% of renters paying more than 30% of their income for housing.

The median housing value in the assessment area is \$153,648. A significant disparity exists between the median housing values in the upper-income (\$188,686), moderate-income (\$67,771) and low-income (\$44,223) census tracts. Of the total housing units, just 21% are valued at less than \$100 thousand, indicating that housing in this assessment area is less affordable than in other eastern metropolitan areas. In the Philadelphia MD as a whole, 42% of housing units are valued at less than \$100 thousand, as compared with 54% statewide.

Moody's Economy.com, Inc., estimates that the average existing home price in the Philadelphia MD in 2005 was \$205,800, up from \$177,400 in 2004. While the suburban areas have even higher housing values, high housing costs significantly limit homeownership opportunities for low- and moderate-income families throughout the assessment area.

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such census tracts.

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 (62%) are located in the upper-income census tracts. Thirty-two percent of owner-occupied housing units are located in middle-income census tracts. Just 6% of all owner-occupied units are located in the assessment area's low-income (1%) and moderate-income (5%) census tracts.

### **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 2000 Census data, the median family income for the bank's assessment area was \$69,523, higher than \$56,993 for the whole Philadelphia MD, and \$49,184 for the state. In 2006, the adjusted median family income for the Philadelphia MD, as reported by HUD, increased to \$69,800.

Of the total families in the assessment area, 13% are designated as low-income and 15% are moderate-income. Families living below the poverty level represent 4% of the total families in the bank's assessment area. In the Philadelphia MD, 9% of families live below the poverty level, compared to 8% in the state.

### **GEOGRAPHIC BUSINESS DATA**

The percentage of businesses located within designated census tracts is used as a proxy to estimate demand for small business credit within such census tracts. According to Dun and Bradstreet, 1% of businesses in the assessment area are located in low-income census tracts and 6% of businesses are located in moderate-income census tracts. The substantial majority of businesses are located in middle- (30%) and upper-income (63%) census tracts.

The demographics used to assess the performance context in which Susquehanna Patriot operates are detailed in the table on the following page.

<p><b>Exhibit #3 Philadelphia, PA MD Assessment Area Demographics</b></p>
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Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	12	2.6	7,244	1.6	1,929	26.6	57,729	12.7
Moderate-income	41	8.7	30,122	6.7	4,015	13.3	65,971	14.6
Middle-income	170	36.2	148,436	32.7	6,540	4.4	94,852	20.9
Upper-income	244	51.9	267,510	59.0	4,607	1.7	234,760	51.8
Unknown income	3	0.6	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>470</b>	<b>100.0</b>	<b>453,312</b>	<b>100.0</b>	<b>17,091</b>	<b>3.8</b>	<b>453,312</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	12,500	5,134	1.1	41.1	5,459	43.7	1,907	15.3
Moderate-income	54,522	24,216	5.1	44.4	25,205	46.2	5,101	9.4
Middle-income	235,816	154,505	32.2	65.5	71,422	30.3	9,889	4.2
Upper-income	375,347	295,175	61.6	78.6	69,207	18.4	10,965	2.9
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>678,185</b>	<b>479,030</b>	<b>100.0</b>	<b>70.6</b>	<b>171,293</b>	<b>25.3</b>	<b>27,862</b>	<b>4.1</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	691	0.9	562	0.9	96	1.1	33	1.5
Moderate-income	4,452	6.1	3,783	6.0	489	5.6	180	8.2
Middle-income	21,880	29.8	18,674	29.8	2,502	28.9	704	32.3
Upper-income	46,418	63.2	39,573	63.2	5,581	64.4	1,264	58.0
Unknown income	7	0.0	6	0.1	1	0.0	0	0.0
<b>Total Assessment Area</b>	<b>73,448</b>	<b>100.0</b>	<b>62,598</b>	<b>100.0</b>	<b>8,669</b>	<b>100.0</b>	<b>2,181</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>85.2</b>		<b>11.8</b>		<b>3.0</b>
	<b>Total Farm By Tract</b>	<b>Farm by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	11	1.6	10	1.6	1	1.8	0	0.0
Middle-income	273	39.9	261	41.6	11	20.4	1	25.0
Upper-income	401	58.5	356	56.8	42	77.8	3	75.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>685</b>	<b>100.0</b>	<b>627</b>	<b>100.0</b>	<b>54</b>	<b>100.00</b>	<b>4</b>	<b>100.0</b>
	<b>Percentage of Total Farm:</b>			<b>91.5</b>		<b>7.9</b>		<b>0.6</b>

## **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, including loans originated in low- and moderate-income census tracts.
- Borrowers' profile, including 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.
- Community development lending activities.

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

### **Geographic Distribution of Loans**

The geographic distribution of loans was analyzed to determine the dispersion of loans among different census tracts within the bank's Philadelphia assessment area. The analysis reflected excellent penetration throughout the assessment area, including low- and moderate-income census tracts.

### **Home Mortgage Lending**

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such tracts. A lower level of owner-occupied units limits the lending opportunities in these census tracts. In the bank's Philadelphia assessment area, just 6% of all owner-occupied units are located in low- and moderate-income census tracts. By comparison, a review of Susquehanna Patriot's home mortgage lending shows that 12% of the bank's loans were originated in low- and moderate-income census tracts. This reflects excellent geographic penetration, despite the limited amount of owner-occupied housing in low- and moderate-income census tracts.

### **Geographic Distribution in Relation to Market Performance**

Susquehanna Patriot's home mortgage lending was compared to all lenders operating in the Philadelphia assessment area in 2005.<sup>5</sup> This analysis revealed that 1% of all owner-occupied housing units are located in low-income census tracts and 1% of all home mortgage loans were made in low-income census tracts, indicating few lending opportunities for banks operating in these census tracts. For Susquehanna Patriot, 1% of its loans were originated in low-income census tracts.

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<sup>5</sup>2005 is the most recent year for which aggregate HMDA and small business loan data is available.

Moderate-income census tracts contained 5% of all owner-occupied housing units and 6% of all home mortgage loans made in the assessment area were made in moderate-income census tracts. By comparison, 11% of Susquehanna Patriot's home mortgage loans were originated in moderate-income census tracts, indicating the bank significantly outperformed the market in these tracts.

### **Small Business Lending**

The geographic distribution of small business loans was analyzed to determine the dispersion of these loans among different census tracts within the bank's assessment area. Penetration throughout the assessment area was good in both low- and moderate-income census tracts.

During the evaluation period, Susquehanna Patriot made 310 small business loans in an aggregate amount of \$48.7 million. A comparison of the number of small business loans originated in each type of census tract to the number of businesses located in these tracts demonstrates the bank's commitment to making credit available to its entire community.

Business demographics revealed a total of 73,448 businesses within the assessment area. The bank's extension of credit to these businesses shows that low-income census tracts received 1% of small business loans, while 1% of businesses are located in these census tracts. Moderate-income census tracts received 5% of small business loans, while 6% of businesses are located in these tracts. Middle-income geographies received 27% of small business loans, while 30% of businesses are located in these census tracts. Upper-income census tracts received 68% of small business loans for their 63% share of businesses.

### **Geographic Distribution in Relation to Market Performance**

Susquehanna Patriot's small business lending was compared to all lenders operating in the Philadelphia assessment area in 2005. Aggregate data show that 1% of all small business loans were made in low-income census tracts and 1% of all businesses are located in low-income census tracts. Susquehanna Patriot also originated 1% of its loans in low-income census tracts.

Further, 5% of all small business loans made in the assessment area were in moderate-income census tracts while 6% of all businesses are located in moderate-income census tracts. Susquehanna Patriot performed the same as the market in moderate-income census tracts, extending 5% of their small business loans in these tracts.

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

HMDA and small business lending data were analyzed, in conjunction with a review of the demographic and economic characteristics of the assessment area, to determine the extent of lending to borrowers of different income levels and to businesses of different sizes.

### **Lending to Borrowers of Different Income Levels**

An analysis of the bank's distribution of home mortgage loans to low- and moderate-income borrowers, compared to the demographics of the assessment area, shows that during the evaluation period, 28% of the bank's HMDA loans were to low- or moderate-income borrowers, while 27% of families in the assessment area are designated as low- or moderate income.

This distribution of loans reflects excellent penetration among retail customers of different income levels given the obstacles to lending to low- and moderate-income borrowers. In particular, about 35% 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.

Susquehanna Patriot's participation in innovative and flexible lending programs that address the specific credit needs of low- and moderate-income borrowers enhances its home mortgage lending profile. Most notably, the bank developed CRA mortgage loan products to provide low- and moderate-income borrowers with the ability to purchase a home. The products allow for flexible underwriting standards and the use of alternative credit when no credit score exists. During the evaluation period, Susquehanna Patriot originated 224 loans under these programs, aggregating \$22.4 million.

In addition, the bank provides a \$750 thousand line of credit to The Collaborative Lending Initiative (CLI). CLI is a subsidiary of The Reinvestment Fund, a community development financial institution that provides financial and technical support and assistance to a variety of community development initiatives throughout the Philadelphia MD. The CLI loan pool increases the flow of conventional credit into affordable housing projects in southeastern Pennsylvania. Current loans outstanding under this line of credit total \$428 thousand.

#### **Borrower Distribution in Relation to Market Performance**

Susquehanna Patriot's home mortgage lending was compared to all lenders operating in the Philadelphia assessment area in 2005. An analysis of aggregate HMDA data show that while 13% of all families in the assessment area are considered low-income, 4% of all home mortgage loans were made to low-income borrowers. By comparison, 10% of Susquehanna Patriot's home mortgage loans were originated to low-income borrowers. Also, 15% of families are considered moderate-income and 15% of all home mortgage loans were made to moderate-income borrowers. By comparison, 18% of Susquehanna Patriot's home mortgage loans were to moderate-income borrowers. Susquehanna Patriot performed significantly better than the market with both low- and moderate-income borrowers.

#### **Lending to Businesses of Different Sizes**

Small business lending data were analyzed to determine the extent of lending to businesses of different sizes, particularly small businesses. Susquehanna 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. Using this definition, bank lending was analyzed to determine whether loans were made to small businesses. Of the 310 loans originated by the bank during the evaluation period, 210 (or 68%) were originated to small businesses. By comparison, a review of all lenders in the market shows that 47% of all small business loans were to small businesses.

In addition, of the 310 small business loans originated by the bank, 62% were extended in an amount of \$100 thousand or less. Since smaller size loans are generally commensurate with the borrowing needs of smaller businesses, Susquehanna Patriot's lending activity demonstrates the bank is meeting the credit needs of such businesses.

To enhance its efforts in addressing the credit needs of small businesses in its assessment areas, Susquehanna Patriot participates as an SBA lender. During the period evaluated, Susquehanna Patriot originated 90 SBA loans, totaling \$33.3 million. The bank also operates a commercial leasing subsidiary, Susquehanna Patriot Bank Leasing Company. The leasing company provides lease financing to small businesses for equipment, office furniture, and computer systems. Leasing provides a financing alternative for small businesses in the bank's assessment areas. As of August 31, 2006, lease financings aggregated \$159.5 million.

### **Community Development Lending**

Susquehanna Patriot is a leader in making community development loans in its Philadelphia assessment area. During the evaluation period, the bank originated four community development loans totaling \$6.8 million. One loan, totaling \$5.5 million, supports economic development and three loans, aggregating \$1.3 million, support affordable housing. These loan are described below.

- A \$5.5 million loan for a 653-unit multi-family housing project to be located on a former steel plant in a moderate-income census tract in Philadelphia. The project is part of the city's *New River City Initiative* to draw private development to the Delaware and Schuylkill rivers. The project is located in a government designated Empowerment Zone which provides tax incentives and low-cost financing to redevelop the area. Although this loan is located outside the bank's immediate assessment area, it supports economic development in the broader regional area that includes the bank's assessment area.
- Two loans, totaling \$1.1 million, for the purchase, refinance, or improvement of multi-family dwellings located in moderate-income census tracts inside the bank's assessment area. 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 are made.
- A \$200 thousand working capital line of credit to a local housing authority providing housing services to low- and moderate-income residents in the city of Chester in Delaware County.

### **INVESTMENT TEST**

The investment test evaluates a financial institution's level of qualified investments that serve low- or moderate-income census tracts or individuals. It also considers the innovation and complexity of the investments. Qualified investments made prior to the previous evaluation that are still outstanding are considered under the test. For purposes of CRA, the term "qualified investment" includes a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Susquehanna Patriot's performance under the investment test is rated outstanding in the Philadelphia assessment area. Of the bank's total investments, 18% are qualified investments attributed to the Philadelphia assessment area.

### **Volume of Investment and Grant Activity**

A review of investment activity revealed that Susquehanna Patriot has an excellent level of qualified community development investments in its Philadelphia assessment area. Overall, these investments aggregated \$2.7 million. Of these investments, 90% support affordable housing, 8% support economic development and the remaining 2% support community development services.

The bank holds two investments aggregating \$6.8 million that support affordable housing in the Philadelphia, Lehigh Valley, Reading and Camden assessment areas. The portion of the investment benefiting the Philadelphia assessment area totals \$1.6 million. The investments are targeted mortgage-backed securities in the assessment areas that contain residential mortgage loans originated to low- and moderate-income borrowers, or inside low- and moderate-income census tracts.

The bank's investments also include a \$201 thousand qualified investment in a financial institution that provides extensive financial and technical support and assistance to community development initiatives throughout the Philadelphia area.

The bank holds two investments recognized in previous evaluations that remain outstanding. The investments include a \$797 thousand equity investment in a 66-unit affordable housing project in the city of Chester. The second investment is a \$78 thousand targeted mortgage-backed security containing residential mortgage loans originated to low- and moderate-income borrowers in the Philadelphia and Reading assessment areas. The portion of the investment benefiting the Philadelphia assessment area totals \$39 thousand.

In addition to qualified investments, the bank made grants and contributions to various organizations that routinely provide affordable housing and community development services that benefit low- and moderate-income individuals and census tracts. During the period evaluated, the bank made \$120 thousand in qualified grants and donations in its Philadelphia assessment area.

### **Responsiveness to Credit and Community Development Needs**

Susquehanna Patriot has been responsive to credit and community development needs by using investments to support community development initiatives. Qualified investments are tailored to the needs of particular geographic areas. Specifically, a large percentage of the bank's investments in this assessment area support affordable housing in a section of the Philadelphia MD 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 census tracts 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 outstanding in the Philadelphia assessment area.

### Accessibility of Delivery Systems

The bank's delivery systems are readily accessible to all portions of the assessment area, including low- and moderate-income census tracts. Susquehanna Patriot operates eight branches in the Philadelphia assessment area, three of which (38%) are located in moderate-income areas. By comparison, 9% of the assessment area population resides in low- and moderate-income census tracts. In addition, six branches in the assessment area, including the three moderate-income branches, have late evening and weekend hours.

The following table details the locations of the bank's branches and the population served:

Census Tract	Number of Branches	Percent	Population	Percent
Low-income	0	0	30,445	2
Moderate-income	3	38	128,830	7
Middle-income	2	24	573,968	33
Upper-income	3	38	997,897	58
<b>TOTALS</b>	<b>8</b>	<b>100%</b>	<b>1,731,140</b>	<b>100%</b>

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

To supplement traditional banking services, Susquehanna Patriot offers Internet banking to its customers free of charge on [www.susquehanna.net](http://www.susquehanna.net). By accessing Susquehanna's *Internet Banker*, customers can view account balances, transfers funds between accounts, and issue stop payments. In addition, the bank's Customer Service Center allows customers to bank by telephone. Through the Center, customers can access account information, open new accounts, renew CDs, apply for loans, and transfer funds between accounts.

### Changes in Branch Locations

To the extent changes have been made, Susquehanna Patriot's record of opening and closing branches in the Philadelphia assessment area has not adversely affected the accessibility of its delivery systems in low- and moderate-income census tracts or to low- and moderate-income individuals.

The bank did not open any new branches in this assessment area; however, the bank closed its branch located at 200 East Uwchlan Avenue, Exton, PA, an upper-income census tract.

### **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 census tracts or individuals. Susquehanna Patriot offers banking services in a uniform and consistent manner among all its branches.

### **Community Development Services**

Susquehanna Patriot is a leader in providing community development services in the Philadelphia assessment area. The most notable of these services are described below.

- A bank employee serves on the loan committee for Family Services of Montgomery County and the bank services the loans originated by the organization under its “Ways To Work Loan Program.” The program facilitates the ability of low-income parents to work by providing small loans to purchase used cars. The program also offers financial management education to low- and moderate-income residents.
- Bank employees provide a significant level of technical assistance to Open Hearth, Inc., a non-profit organization providing community services that support affordable housing, employment and financial self-sufficiency for low- and moderate-income residents of Chester and Montgomery counties. A bank employee also serves on the board of directors for this organization.
- A bank employee serves on the finance committee of the Pottstown Downtown Foundation, an economic development organization supporting the revitalization efforts of Pottstown Borough. Pottstown Borough, located in Montgomery County, consists of eight census tracts, of which three are moderate-income.
- A bank employee serves on the sustainability committee for the Chester Housing Authority (CHA) located in Chester, PA. The sustainability committee is comprised of residents and corporate and community stakeholders who provide expertise to ensure the long term viability of CHA’s physical and social investments, including site-based budgeting and management initiatives for long-term sustainability.
- A bank officer serves on the loan committee of the Chester County Economic Development Council. The council is a non-profit economic development organization supporting economic growth in Chester County by providing low-interest financing, small business lending, small business consulting and education, brownfields remediation, and urban redevelopment.
- The bank sponsored or provided employees to participate in numerous workshops and seminars marketed to low- and moderate-income first-time homebuyers. The community development organization’s partners include Open Hearth, Inc., and Montgomery County Partners for Home Ownership.

Many other Susquehanna Patriot officers and employees serve in various capacities for numerous community development organizations, providing needed technical expertise to these organizations. These organizations include:

- The Borough of Pottstown Home Ownership Initiative Program;
- Montgomery County Partners for Home Ownership;
- Open Hearth, Inc.;
- Montgomery County Habitat For Humanity;
- Coatesville Homeownership Fair;
- City of Chester Housing Authority;
- Genesis Housing Corporation; and
- Philadelphia Development Partnership.

### **Bank Products**

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

- a *Free Checking* account that offers unlimited check writing, no minimum daily balance requirements and no monthly service fee, provided the customer has a direct deposit relationship or active VISA Check Card; and
- an *Economy Checking* account designed for consumers who write eight or fewer checks per month. The account has no minimum balance requirement and a \$3.00 monthly service fee.

The bank has partnered with Open Hearth, Spring City, PA, 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 use the accumulated savings, plus a 50% match from the state, for a specific, pre-determined use (home-ownership, advanced education, small business funding, or auto purchase.)

The participating bank opens FSA accounts, waives standard fees and provides participant account balance reports to account holders and Open Hearth. To qualify for the program, depositors must meet income guidelines that effectively reserve the program for low- and moderate-income clients. Susquehanna Patriot provides additional matched funding for clients in Chester and Montgomery counties. Since the inception of the program, the bank has opened 55 FSA accounts in its Philadelphia assessment area.

These three accounts provide greater access to banking services and asset building for low- and moderate-income consumers.

Susquehanna Patriot also offers a *Flex Business Checking* account for businesses that generate 150 or fewer checks or deposited items per month. There are no monthly service fees and no minimum balance requirements. This account provides greater access to banking services for small businesses.

## STATE OF PENNSYLVANIA

### PENNSYLVANIA CRA RATING<sup>6</sup>

Performance Test	Performance Level
Lending	Outstanding
Investment	Outstanding
Service	High Satisfactory
<b>Overall</b>	<b>Outstanding</b>

### SUMMARY OF MAJOR FACTORS SUPPORTING RATING

Major factors contributing to the rating include the following.

- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers, given the product lines offered by the bank, reflects excellent penetration among retail customers of different income levels and 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 excellent level of community development loans.
- The bank has a significant level of qualified community development investments and grants.
- The bank provides a significant level of community development services.

### SCOPE OF EXAMINATION

The state rating for Pennsylvania is comprised of the evaluation of Susquehanna Patriot's performance in the Reading MSA and the Allentown-Bethlehem-Easton, PA-NJ MSA (ABE MSA). For purposes of this CRA Evaluation, the bank has designated the entire Reading MSA as its assessment area and a portion of the ABE MSA. The ABE MSA consists of Lehigh, Northampton and Carbon counties in Pennsylvania, and Warren County in New Jersey. Susquehanna Patriot's Lehigh Valley assessment area includes only Lehigh and Northampton counties.

Susquehanna Patriot's CRA performance in Pennsylvania was evaluated for the period from October 13, 2004 through October 2, 2006. 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. For purposes of evaluating the geographic distribution of loans, geographies were classified on the basis of 2000 U.S. Census data, using the 2004 OMB metropolitan area designations.

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<sup>6</sup> The statewide evaluation is adjusted for institutions with branches in two or more states in a multi-state metropolitan area, and does not reflect performance in the parts of those states contained within the multi-state metropolitan area.

## **READING METROPOLITAN STATISTICAL AREA**

### **DESCRIPTION OF ASSESSMENT AREA**

The Reading MSA comprises 82 census tracts in Berks County. Of the 82 census tracts, 9 are designated as low-income and 16 moderate-income. All 9 low-income census tracts are located in the city of Reading and 7% of the assessment area's population resides within these low-income tracts. Of the 16 moderate-income census tracts, 15 are located in the city of Reading and 1 is adjacent to the city to the north. Thirteen percent of the assessment area's population resides within the moderate-income census tracts.

Susquehanna Patriot's performance in the assessment area was evaluated in terms of the demographic and business context in which it operates. According to the FDIC's Summary of Deposits as of June 30, 2006, 21 depository institutions operate in the Reading MSA. These 21 institutions maintained a total of 143 branches, holding \$6.9 billion in deposits. Susquehanna Patriot operated five of these branches, with \$168 million in deposits. The bank ranked 9<sup>th</sup> in the Reading MSA, controlling 2% of the retail deposit market. Two local banks headquartered in Berks County, Sovereign Bank and National Penn Bank, ranked 1<sup>st</sup> and 2<sup>nd</sup>, with 24% and 18% of the market, respectively.

Susquehanna Patriot's HMDA loans were compared to the aggregate of all lenders in the Reading MSA reporting real estate loans pursuant to HMDA. These data are reported annually, and 2005 is the most recent year for which information is available. The assessment area has a total of 447 HMDA reporters. Susquehanna Patriot is the 27<sup>th</sup> largest HMDA loan originator in the Reading MSA with 1% of all such loan originations and purchases. Countrywide Home Loans ranked 1<sup>st</sup> with 7%, and Sovereign Bank ranked 2<sup>nd</sup> with 6%.

Among small business lenders operating in the Reading MSA, Susquehanna Patriot ranked 15<sup>th</sup> with 2% of the market. CitiBank USA ranked 1<sup>st</sup> with 18% of the market. The Reading MSA had a total of 60 small business reporters in 2005. Fulton Bank, headquartered in neighboring Lancaster County, ranked highest among local banks at 7<sup>th</sup>, holding 4% of the market.

### **ECONOMIC CHARACTERISTICS**

The Reading economy has made small strides toward recovery. Although job growth in the MSA lags the nation, it is now on par with the state average. Since 2003, payroll employment in service-based industries has increased by 6%. The area's growing population is underpinning this growth. The distribution of job gains within the service sector is heavily tilted toward the education and health services sector, with hospital employment serving as an important source of growth. Two of the top five largest employers are The Reading Hospital and Medical Center, and St. Joseph Medical Center.

The manufacturing sector accounts for 19% of total area employment. The largest employer in the Reading MSA is the East Penn Manufacturing Company, and its presence in the area largely accounts for the high concentration in electrical equipment manufacturing.

Other large employers include Carpenter Technology Corp, Boscov's Department Stores, Reading Area Community College, and Sovereign Bank. Susquehanna Patriot's major banking competitors in the Reading MSA include Sovereign Bank, National Penn Bank, and Fulton Bank.

Continuing strengths of the Reading MSA include its position as the retail outlet center for southeastern Pennsylvania and an expanding population base. Weaknesses include above average business costs, exposure to declining manufacturing industries, and a weak core city. Despite high affordability, Reading's downtown area remains depressed and needs revitalizing.

The Reading MSA unemployment rate decreased in 2006, while the rate in Pennsylvania increased slightly. The unemployment rates are presented in the following table:

<b>Locations</b>	<b>September 2006</b>	<b>September 2005</b>
Berks County	3.9%	4.4%
Pennsylvania	4.6%	4.5%

In February 2004, 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 includes pertinent demographic and economic data regarding the city of Reading and the MSA.

Community leaders indicated that the credit needs in their community include first-time homebuyer programs, including down payment and closing cost assistance for low- and moderate-income homebuyers, and flexible small business loan programs, particularly for the city of Reading.

## **HOUSING**

The Reading MSA contains 150,222 housing units. Single-family units comprise 77% of the housing units, while two-to-four family units comprise 10%, multi-family units 9%, and mobile homes 4%. The median age of the housing stock is 43 years, the same as the median age for housing stock in the state. Median rent in the assessment area is \$544, with 33% of renters paying more than 30% of their income for housing. Statewide median rent is \$531, with 35% of renters paying more than 30% of their income for housing.

According to the 2000 census, the median housing value in the Reading MSA is \$104,358. A significant disparity exists between the median housing values in the upper-income (\$131,024) and middle-income census tracts (\$108,681) and that in moderate-income (\$43,935) and low-income (\$39,337) census tracts. Of the total owner-occupied housing units in the assessment area, 47% are valued at less than \$100 thousand. In the state, 54% of housing units are valued at less than \$100 thousand. Although the cost of housing in Reading remains relatively low when compared to other northeastern metropolitan areas, the cost is increasing. According to Moody's Economy.com, in 2005, the average home in Reading cost \$136 thousand, 14% higher than the average cost in 2004.

The overall homeownership rate in the assessment area is 70%, compared to 65% statewide. The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such census tracts. In the Reading MSA, 3% of owner-occupied units are located in the low-income census tracts and 10% are in the moderate-income census tracts. The large majority of owner-occupied housing units are located in middle-income (70%) and upper-income (17%) census tracts.

### **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 2000 Census data, the median family income for the Reading MSA was \$53,061, slightly higher than the state median income level of \$49,184. From an income distribution standpoint, 18% of the families in the assessment area are designated as low-income and 19% are moderate-income. In 2006, the adjusted median family income for the Reading MSA, as reported by HUD, increased to \$64,600.

### **DEMOGRAPHIC BUSINESS DATA**

The percentage of businesses located within designated census tracts is used as a proxy to estimate demand for small business credit within such census tracts. In the Reading MSA, 8% of the assessment area's businesses are located in low-income census tracts and 7% are located in moderate-income census tracts. The substantial majority of businesses are located in middle- (69%) and upper-income (16%) census tracts.

The demographics used to assess the performance context in which Susquehanna Patriot operates are detailed in the table on the following page.

Exhibit #4 Reading MSA (Berks County) Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	9	11.0	6,163	6.2	2,399	38.9	17,568	17.8
Moderate-income	16	19.5	11,110	11.2	1,618	14.6	18,812	19.0
Middle-income	48	58.5	66,205	67.0	1,919	2.9	24,119	24.4
Upper-income	9	11.0	15,404	15.6	254	1.6	38,383	38.8
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>82</b>	<b>100.0</b>	<b>98,882</b>	<b>100.0</b>	<b>6,190</b>	<b>6.3</b>	<b>98,882</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
	#	#	%	%	#	%	#	%
Low-income	12,157	3,147	3.0	25.9	7,331	60.3	1,679	13.8
Moderate-income	19,717	10,549	10.1	53.5	6,812	34.5	2,356	11.9
Middle-income	96,752	73,734	70.4	76.2	19,213	19.9	3,805	3.9
Upper-income	21,596	17,263	16.5	79.9	3,521	16.3	812	3.8
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>150,222</b>	<b>104,693</b>	<b>100.0</b>	<b>69.7</b>	<b>36,877</b>	<b>24.5</b>	<b>8,652</b>	<b>5.8</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	1,056	8.3	885	8.1	120	9.0	51	11.0
Moderate-income	878	6.9	750	6.9	87	6.5	41	8.8
Middle-income	8,705	68.7	7,548	69.4	852	63.9	305	65.6
Upper-income	2,035	16.1	1,692	15.6	275	20.6	68	14.6
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>12,674</b>	<b>100.0</b>	<b>10,875</b>	<b>100.0</b>	<b>1,334</b>	<b>100.0</b>	<b>465</b>	<b>100.0</b>
	Percentage of Total Businesses:			<b>85.8</b>		<b>10.5</b>		<b>3.7</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	2	0.3	2	0.3	0	0.0	0	0.0
Middle-income	583	93.6	571	94.1	12	75.0	0	0.0
Upper-income	38	6.1	34	5.6	4	25.0	0	0.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>623</b>	<b>100.0</b>	<b>607</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	Percentage of Total Farms:			<b>97.4</b>		<b>2.6</b>		<b>0.0</b>



## **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, including loans originated in low- and moderate-income census tracts.
- Borrowers' profile, including distribution of loans to low- and moderate-income borrowers and small businesses.
- Overall responsiveness to credit needs of highly economically disadvantaged census tracts, low-income persons, and very small businesses.
- Community development lending activities.

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

### **Geographic Distribution of Loans**

The geographic distribution of loans in the Reading assessment area was analyzed to determine the dispersion of loans among different census tracts within the assessment area. The analysis reflected good penetration throughout the assessment area, including low- and moderate-income census tracts.

### **Home Mortgage Lending**

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such census tracts. A lower level of owner-occupied units limits the bank's lending opportunities in these tracts. A review of Susquehanna Patriot's lending activity reflects good penetration throughout the assessment area.

In the Reading MSA, 3% of all owner-occupied units are located in low-income census tracts and 10% are located in moderate-income census tracts. By comparison, 4% of Susquehanna's home mortgage loans were originated in low-income census tracts and 8% were originated in moderate-income census tracts.

Bank lending levels are considered good, given the demographics of the assessment area. Of the assessment area's 25 low- and moderate-income census tracts, 24 are located in the city of Reading. Despite high affordability, the city remains depressed and in need of revitalization. The bank has responded to this need through community development lending in the city of Reading.

### **Geographic Distribution in Relation to Market Performance**

Susquehanna Patriot's home mortgage lending was compared to all lenders operating in the Reading MSA. According to 2005 aggregate HMDA data, 3% of all owner-occupied housing units are located in low-income census tracts and 3% of all home mortgage loans were made in low-income census tracts. By comparison, 4% of Susquehanna's loans were made in low-income census tracts.

In moderate-income census tracts, 10% of owner-occupied housing units are located in moderate-income census tracts and 10% of all home mortgage loans were made in these tracts. By comparison, 8% of Susquehanna Patriot's mortgage loans were originated in moderate-income tracts. Overall, the bank performed about the same as the market in low- and moderate-income areas.

### **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 census tracts within the bank's assessment area. The analysis reflects good penetration given the economic characteristics of the Reading MSA. Despite a below average cost of doing business in Reading, the city remains depressed and in need of revitalization.

A comparison of the number of small business loans originated in each type of census tract to the number of businesses located in each type of tract demonstrates the bank's commitment to making credit available to its entire community. During the period evaluated, Susquehanna originated 244 small business loans in the Reading MSA, in an aggregate amount of \$23 million.

Business demographics revealed a total of 12,674 businesses within the assessment area. Susquehanna Patriot's extension of credit to these businesses shows that low-income census tracts received 5% of small business loans, while 8% of businesses are located in these tracts. Moderate-income tracts received 3% of small business loans, while 7% of businesses are located in these tracts. Middle-income tracts received 68% of small business loans, while 69% of businesses are located in these census tracts. Upper-income census tracts received 24% of small business loans for their 16% share of businesses.

### **Geographic Distribution in Relation to Market Performance**

Susquehanna Patriot's small business lending was compared to all lenders operating in the assessment area. Aggregate loan data show that 5% of all reported small business loans were made in low-income census tracts, and 8% of all businesses are located in these tracts. Five percent of reported small business loans were made in moderate-income census tracts, and 7% of all businesses are located in these tracts. By comparison, Susquehanna Patriot originated 5% of its small business loans in the low-income census tracts and 3% of its loans in moderate-income tracts.

Overall, Susquehanna Patriot performed the same as the market in low- income census tracts and slightly below the market in moderate-income tracts. However, the aggregate data show that overall lending in both low- and moderate-income census tracts was less than the level of small businesses operating in these tracts, indicating limited lending opportunities for any banks operating in these census tracts.

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

HMDA and small business lending data were analyzed, in conjunction with a review of the demographic and economic characteristics of the assessment area, to determine the extent of lending to borrowers of different income levels and to businesses of different sizes.

#### **Lending to Borrowers of Different Income Levels**

The demographics of the assessment area show that of the 98,882 families in the assessment area, 18% are designated as low-income and 19% are designated as moderate-income. By comparison, the distribution of Susquehanna Patriot's home mortgage loans to both low- and moderate-income borrowers shows that 8% of loans were to low-income borrowers and 21% were to moderate-income borrowers. The distribution of loans reflects good penetration among retail customers of different income levels.

The distribution of 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 in the assessment area. However, the bank's level of penetration is considered good given 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. In particular, 33% of renters in the Reading MSA pay more than 30% of their income for housing, making it difficult to save for a down payment on a house.

Obstacles to home ownership also exist for moderate-income families; however, Susquehanna Patriot's distribution of loans to moderate-income borrowers in the assessment area is excellent. The bank's participation in innovative and flexible lending programs that address the specific credit needs of low- and moderate-income borrowers enhances its home mortgage lending profile. Most notably, the bank developed CRA mortgage loan products to provide low- and moderate-income borrowers with the ability to purchase a home. The products allow for flexible underwriting standards and the use of alternative credit when no credit score exists for low- and moderate-income borrowers. During the evaluation period, Susquehanna Patriot originated 224 loans under these programs, aggregating \$22.4 million.

#### **Borrower Distribution in Relation to Market Performance**

Susquehanna Patriot's home mortgage lending was compared to all lenders operating in the Reading MSA. An analysis of aggregate data show that while 18% 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, 8% of Susquehanna Patriot's home mortgage loans were to low-income borrowers. Also, 19% of families are considered moderate-income and 21% of all home mortgage loans made in the assessment area were made to moderate-income borrowers. By comparison, 21% of Susquehanna Patriot's home mortgage loans were originated to moderate-income borrowers. Overall, Susquehanna Patriot performed on par with the market with these borrowers.

### **Lending to Businesses of Different Sizes**

Small business lending data were analyzed to determine the extent of lending to businesses of different sizes, especially small businesses. Susquehanna 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. Using this definition, bank lending was analyzed to determine whether loans were made to small businesses. Of the 244 loans the bank originated during the evaluation period, 186 or (76%) were originated to small businesses. By comparison, a review of all lenders in the market shows that 43% of all small business loans were made to small businesses.

In addition, of the 244 small business loans originated by the bank, 78% were extended in an amount of \$100 thousand or less. The number of small business loans originated in amounts of \$100 thousand or less is significant because smaller size loans are generally commensurate with the borrowing needs of smaller businesses and, as such, Susquehanna Patriot's lending activity demonstrates it is meeting the credit needs of smaller businesses.

To enhance its efforts in addressing the credit needs of small businesses in its assessment areas, Susquehanna Patriot participates as a SBA lender. The bank received SBA's Preferred Lender status and qualified for the *SBAExpress* lending program developed by the SBA to increase the number of small loans approved by the agency. During the evaluation period, Susquehanna Patriot originated 90 SBA loans, totaling \$33.3 million.

In addition, the bank operates a commercial leasing subsidiary, Susquehanna Patriot Bank Leasing Company, which provides lease financing to small businesses for equipment, office furniture, and computer systems. Leasing provides a financing alternative for small businesses. As of August 31, 2006, lease financings aggregated \$159.5 million.

### **Community Development Lending**

Susquehanna Patriot has made a relatively high level of community development loans in its Reading assessment area. During the evaluation period, it originated nine community development loans totaling \$1.3 million to finance affordable housing in the assessment area. Eight of the bank's loans, totaling \$1.0 million, were for the purchase, refinance, or improvement of multi-family dwellings located in moderate-income census tracts. 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.

The bank also originated a \$300 thousand line of credit supporting affordable housing for low- and moderate-income seniors in Berks County. Loan proceeds will provide working capital for a new 108-unit residential facility. The project, which qualified for Federal low-income housing tax credits, meets an expressed demand for affordable housing for seniors, as 15% of Berks County residents are age 65 or over.

## **INVESTMENT TEST**

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

Performance under the investment test is high satisfactory in the Reading assessment area. Of Susquehanna Patriot's total qualified investments, 6% benefited the Reading assessment area.

### **Volume of Investment and Grant Activity**

A review of investment activity revealed that Susquehanna Patriot has a significant level of qualified community development investments and grants in the Reading assessment area. Overall, investments aggregated \$828 thousand. The substantial majority of these investments (95%) support affordable housing. The remaining 5% support community development services.

The bank holds two investments, aggregating \$6.8 million that support affordable housing in all of its assessment areas. The portion of the investment benefiting the Reading assessment area totals \$741 thousand. The investments are targeted mortgage-backed securities containing residential mortgage loans originated to low- and moderate-income borrowers or inside low- and moderate-income census tracts in the assessment area.

Susquehanna Patriot also holds an investment, recognized in previous evaluations, that remains outstanding. The investment, totaling \$78 thousand, supports affordable housing in the bank's Reading and Philadelphia assessment areas. The portion of the investment benefiting the Reading assessment area totals \$39 thousand and is a targeted mortgage-backed security containing residential mortgage loans originated to low- and moderate-income borrowers in the assessment area.

In addition to qualified investments, the bank made grants and contributions to various organizations that routinely provide affordable housing and community development services that benefit low- and moderate-income individuals and census tracts. During the evaluation period, the bank made \$48 thousand in qualified grants and donations in the Reading assessment area.

### **Responsiveness to Credit and Community Development Needs**

Susquehanna Patriot demonstrates adequate responsiveness to credit and community development needs in the Reading assessment area through the use of investments to support community development initiatives. Bank investments primarily support affordable housing in an area with a large number of low- and moderate-income families and elderly residents. In the Reading assessment area, 15% 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 census tracts or low- and moderate-income persons in the assessment area.
- The reasonableness of business hours and services in meeting assessment area needs.
- The extent to which an institution provides community development services.

Performance under the service test is rated high satisfactory in the Reading assessment area.

### Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of its assessment area. The bank currently operates five branches in the Reading assessment area, although none of these branches are located in low- or moderate-income census tracts. By comparison, 20% of the assessment area population resides in low- and moderate-income census tracts. All five branches in the assessment area have late evening and weekend hours.

The following table details the branch locations and the population served:

Census Tract	Number of Branches	Percent Branches	Population	Percent Population
Low-income	0	0	27,553	7
Moderate-income	0	0	47,334	13
Middle-income	4	80	242,707	65
Upper-income	1	20	56,044	15
<b>TOTALS</b>	<b>5</b>	<b>100%</b>	<b>373,638</b>	<b>100%</b>

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

To supplement traditional banking services, Susquehanna Patriot offers Internet banking to its customers free of charge on [www.susquehanna.net](http://www.susquehanna.net). By accessing Susquehanna Patriot's *Internet Banker*, customers can view account balances, transfer funds between accounts, and issue stop payments. In addition, the bank's Customer Service Center allows customers to bank by telephone. Through the Center, customers can access account information, open new accounts, renew CDs, apply for loans, and transfer funds between accounts.

### Changes in Branch Locations

To the extent changes have been made, Susquehanna Patriot's record of opening and closing branches in the Reading assessment area has not adversely affected the accessibility of its delivery systems in low- and moderate-income census tracts or to low- and moderate-income individuals.

The bank has not opened any new branches since its last CRA evaluation, but sold its branch located at 3101 Shillington Road, Sinking Spring, PA, located in a middle-income census tract.

### **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 census tracts or individuals. Banking services are offered in a uniform and consistent manner among all branches.

### **Community Development Services**

Susquehanna Patriot provides an adequate level of community development services in the Reading assessment area.

- A bank employee serves on the board of directors for Neighborhood Housing Services of Reading (NHS). NHS is a non-profit organization established to provide affordable housing services to low- and moderate-income families and individuals in Reading.
- 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.

Other bank employees serve in various capacities at several community development organizations, providing needed technical expertise to these organizations, including:

- Berks County Economic Partnership
- Berks County Community Foundation
- Children's Home of Reading
- Greater Berks Food Bank
- Boyertown Area Multi Service, Inc.

### **Bank Products**

Susquehanna Patriot offers bank products that provide greater access to banking services for low- and moderate-income customers and small businesses.

- A *Free Checking* account that offers unlimited check writing, no minimum daily balance requirements and no monthly service fee, provided the customer has a direct deposit relationship or active VISA Check Card.
- An *Economy Checking* account designed for consumers who write eight or less checks per month. The account has no minimum balance requirement and a \$3.00 monthly service fee.
- A *Flex Business Checking* account for businesses that generate 150 or fewer checks or deposited items per month. There are no monthly service fees and no minimum balance requirements. This account provides greater access to banking services for small businesses.

### **ALLENTOWN-BETHLEHEM-EASTON METROPOLITAN STATISTICAL AREA**

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## DESCRIPTION OF ASSESSMENT AREA

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

This assessment area has 130 census tracts, 9 of which are low-income and 28 moderate-income. Of the 9 low-income census tracts, 6 are located in the city of Allentown and 3 are in the city of Bethlehem. Of the assessment area's 28 moderate-income census tracts, 15 are in Allentown, 3 in Bethlehem, and 5 in Easton. Two additional moderate-income census tracts are in Catasauqua and Fullerton which border Allentown to the north, and 3 are in Northampton County in East Bangor, Wilson, and Northampton Borough. Twenty-four percent of the assessment area's population resides in these low- and moderate-income census tracts.

Susquehanna 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, 2006, there are 24 depository institutions operating in Lehigh and Northampton counties. These institutions maintain a total of 230 branches holding \$9.9 billion in deposits. Susquehanna Patriot, with 8 branches in the assessment area, ranks 11<sup>th</sup>, with \$204 million and 2% of the retail deposit market. Wachovia Bank has a strong presence in the market, ranking 1<sup>st</sup>, with 29% of the market.

Susquehanna Patriot's home mortgage loans were compared to the aggregate of all lenders in the Lehigh Valley assessment area reporting real estate loans pursuant to HMDA. According to the 2005 data, Susquehanna Patriot is the 48<sup>th</sup> largest HMDA loan reporter in the assessment area with less than 1% of all such loan originations and purchases. Countrywide Home Loans ranks 1<sup>st</sup>, with 9% of the market. Keystone Nazareth Bank and Trust, Bethlehem, PA, is ranked highest among local banks at 4<sup>th</sup>, with 5% of the market. Lafayette Ambassador Bank, in Easton, PA, is ranked 5<sup>th</sup>, with 3% of the market.

Regarding small business lending, Susquehanna Patriot ranks 15<sup>th</sup> among lenders in the assessment area, with 1% of the market. CitiBank ranks 1<sup>st</sup> with 21% of the market. Lafayette Ambassador Bank is ranked highest among local banks at 10<sup>th</sup>, with 3% of the market. Keystone Nazareth Bank and Trust is ranked 12<sup>th</sup>, with 2% of the market. There were a total of 86 small business reporters in the assessment area in 2005.

## ECONOMIC CHARACTERISTICS

The ABE MSA is located in eastern Pennsylvania, strategically situated between the cities of Philadelphia and New York. The city of Allentown is the largest urban center in the MSA. The current economic environment in the area is favorable. The MSA is among the top performers in the northeast for employment growth. The area is adding jobs at twice the state's pace and is outperforming the nation.



The area's growing population is underpinning the growth in the service industry and the distribution of job gains is tilted toward the education and health services sector, which now accounts for 18% of total area employment.

Hospital employment is an important source of the growth. The two largest employers in the MSA are Lehigh Valley Hospital Center and St. Luke's Hospital. Other large employers include Air Products and Chemicals, Inc., PPL Corporation, Giant Food Corporation, and Manpower, Inc. Federal, state, and local governments provide employment throughout the area and are among the top ten employers in both Lehigh and Northampton counties.

Strengths in the economy include the expanding population base, low housing costs relative to nearby metropolitan areas, and a below average cost of living. Weaknesses include a below average educational attainment of area workers, above average business costs, and a large portion of the population (16%) is over age 65.

Banking in the assessment area is highly competitive. Local community banks, particularly Keystone Nazareth Bank and Trust, Lafayette Ambassador Bank and Sovereign Bank, are strong competition for Susquehanna Patriot. In addition, super-regionals Wachovia Bank and PNC Bank have a significant presence in the market.

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

<b>Locations</b>	<b>September 2006</b>	<b>September 2005</b>
Lehigh County	4.1	4.5
Northampton County	4.0	4.4
Allentown-Bethlehem-Easton MSA	4.1	4.3
Pennsylvania	4.6	4.5

In February 2004, 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.

When asked about credit needs in the assessment area, community leaders identified the following: (1) capital for small businesses, including Latino businesses and entrepreneurs; (2) Spanish language financial literacy counseling and materials for low- and moderate-income Latino homebuyers; (3) affordable mortgage products for first-time homebuyers; and (4) branch banking services in low- and moderate-income census tracts.

## HOUSING

The Lehigh Valley assessment area contains 235,620 housing units, 67% of which are owner-occupied and 28% are rental units. In low-income census tracts, the owner-occupancy rate is just 24%, while rental housing accounts for 62% of all housing. In moderate-income census tracts, the owner-occupancy rate is 48%, while rental housing accounts for 44% of housing. The overall owner-occupancy rate in the ABE MSA is 67%, and the state is 65%.

Single-family units comprise 75% of the housing units, while multi-family units comprise 13%, two-to-four family units 10%, and mobile homes 3%. The median age of the housing stock is 42 years, which is the same as the ABE MSA, but below the median age of 43 years for the state. Median rent in the assessment area is \$582, with 35% of renters paying more than 30% of their income for housing. Median rent in the ABE MSA is \$589, with 35% of renters paying more than 30% of income for housing. In the state, median rent is \$531, with 35% of renters paying more than 30% of income for housing.

The median housing value in the assessment area is \$115,468. A significant disparity exists between the median housing values in upper-income (\$158,038), and that in moderate-income (\$73,232) and low-income (\$58,297) census tracts. Of the total owner-occupied housing units in the assessment area, 39% are valued at less than \$100 thousand, which is the same percent in the ABE MSA as a whole, as compared with 54% statewide.

The residential housing market in the ABE MSA continues to expand, with people moving from urban areas (mainly New York, northern New Jersey and Philadelphia) to the Lehigh Valley in search of more affordable housing. As a result, the cost of housing in the ABE MSA is increasing. According to Moody's Economy.com, in 2005, the average home cost \$241 thousand, 18% higher than 2004.

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such census tracts. 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 (54%) are located in middle-income census tracts. Just 2% of all owner-occupied units are located in the assessment area's low-income census tracts and 14% of units are located in moderate-income census tracts. Thirty percent of units are located in upper-income census tracts.

## BORROWER INCOME DATA

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes are classified based upon annually adjusted median family income data made available by HUD. According to 2000 Census data, the median family income for the Lehigh Valley assessment area is \$53,374, compared to \$52,852 for the ABE MSA as a whole, and \$49,184 for the state. In 2005, the adjusted median family income for the ABE MSA increased to \$65,900. Of the total families in the Lehigh Valley assessment area, 19% are designated as low-income and 19% are moderate-income. Six percent of families in the assessment area live below the poverty level, compared to 6% of families in the MSA and 8% of families in the state.

## GEOGRAPHIC BUSINESS DATA

The percentage of businesses located within designated census tracts is used as a proxy to estimate demand for small business credit within such tracts. In the Lehigh Valley assessment area, 5% of businesses in the assessment area are located in low-income census tracts and 16% are in moderate-incomes tracts. The substantial majority of businesses are located in middle- (51%) and upper-income (28%) census tracts.

The demographics used to assess the performance context in which Susquehanna Patriot operates are detailed in the following table on the following page.

<p><b>Exhibit #6 Lehigh Valley Assessment Area Assessment Area Demographics</b></p>
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Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	9	6.9	5,063	3.3	1,721	34.0	28,541	18.6
Moderate-income	28	21.6	26,624	17.3	3,885	14.6	29,591	19.2
Middle-income	68	52.3	78,949	51.3	3,174	4.0	36,031	23.4
Upper-income	25	19.2	43,212	28.1	737	1.7	59,685	38.8
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>130</b>	<b>100.0</b>	<b>153,848</b>	<b>100.0</b>	<b>9,517</b>	<b>6.2</b>	<b>153,848</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	9,898	2,405	1.5	24.3	6,159	62.2	1,334	13.5
Moderate-income	47,070	22,771	14.4	48.4	20,514	43.6	3,785	8.0
Middle-income	121,955	85,386	53.9	70.0	31,283	25.7	5,286	4.3
Upper-income	56,697	47,785	30.2	84.3	7,144	12.6	1,768	3.1
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>235,620</b>	<b>158,347</b>	<b>100.0</b>	<b>67.2</b>	<b>65,100</b>	<b>27.6</b>	<b>12,173</b>	<b>5.2</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	1,013	4.9	826	4.6	131	6.4	56	8.1
Moderate-income	3,292	16.0	2,786	15.7	397	19.3	109	15.7
Middle-income	10,505	51.2	9,284	52.2	862	42.0	359	51.6
Upper-income	5,732	27.9	4,899	27.5	662	32.3	171	24.6
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>20,542</b>	<b>100.0</b>	<b>17,795</b>	<b>100.0</b>	<b>2,052</b>	<b>100.0</b>	<b>695</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>86.6</b>		<b>10.0</b>		<b>3.4</b>
	<b>Total Farm by Tract</b>	<b>Farm by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	1	0.3	1	0.3	0	0.0	0	0.0
Moderate-income	4	1.2	4	1.3	0	0.0	0	0.0
Middle-income	213	64.7	210	65.0	3	50.0	0	0.0
Upper-income	111	33.8	108	33.4	3	50.0	0	0.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>329</b>	<b>100.0</b>	<b>323</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farm:</b>			<b>98.2</b>		<b>1.8</b>		<b>0.0</b>

## **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, including loans originated in low- and moderate-income census tracts.
- Borrowers' profile, including 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.
- Community development lending activities.

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

### **Geographic Distribution of Loans**

The geographic distribution of loans was analyzed to determine the dispersion of loans among different census tracts within the assessment area. The analysis reflects excellent penetration throughout the assessment area, including low- and moderate-income census tracts.

### **Home Mortgage Lending**

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such census tracts. A lower level of owner-occupied units limits the bank's lending opportunities in these tracts. A review of Susquehanna Patriot's home mortgage lending activity reflects excellent penetration throughout the assessment area.

According to 2000 Census data, 2% of all owner-occupied housing units are located in low-income census tracts and 14% are in moderate-income tracts. By comparison, 4% of Susquehanna Patriot's home mortgage loans were originated in low-income census tracts and 18% in moderate-income census tracts.

Susquehanna Patriot's home mortgage lending was compared to all other lenders operating in the assessment area. The analysis revealed that while 2% of owner-occupied housing units are located in low-income tracts, 2% of all home mortgage loans made in the assessment area were in low-income census tracts. By comparison, 4% of Susquehanna Patriot's home mortgage loans were made in low-income census tracts. Also, while 14% of housing units are located in moderate-income census tracts, 17% of all home mortgage loans were made in moderate-income tracts. By comparison, 18% of Susquehanna Patriot's home mortgage loans were in moderate-income census tracts. The bank's lending in low- and moderate-income census tracts is above both aggregate lending and owner-occupied housing levels. Its performance is considered excellent.

### **Small Business Lending**

The geographic distribution of small business loans was analyzed to determine the dispersion of these loans among different census tracts within the assessment area. A comparison of the number of small business loans originated in each type of census tract to the number of businesses located in those tracts demonstrates the bank's commitment to making credit available to its entire community.

The bank's extension of credit to these businesses shows that low-income census tracts received 5% of small business loans, while 5% of businesses are located in these tracts. Moderate-income census tracts received 16% of small business loans, while 16% of businesses are located in these tracts. Middle-income census tracts received 52% of small business loans, while 51% of businesses are located in these tracts. Upper-income census tracts received 27% of small business loans for their 28% share of businesses.

Susquehanna Patriot's small business lending was compared to all lenders operating in the Lehigh Valley assessment area. Aggregate data show that while 5% of businesses are located in low-income census tracts, 4% of all small business loans were made in low-income tracts. Further, while 16% of all businesses are located in moderate-income census tracts, 14% of all small business loans were made in moderate-income tracts.

Susquehanna Patriot's lending performance is considered excellent when compared to both the geographic distribution of businesses in the assessment area and aggregate lending levels.

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

HMDA and small business lending data were analyzed, in conjunction with a review of the demographic and economic characteristics of the assessment area, to determine the extent of lending to borrowers of different income levels and to businesses of different sizes.

#### **Lending to Borrowers of Different Income Levels**

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 153,848 families in the assessment area, 19% are designated as low-income and 19% are moderate-income. By comparison, 10% of the bank's home mortgage loans were to low-income borrowers and 22% were to moderate-income borrowers.

Susquehanna Patriot's home mortgage lending was compared to all lenders operating in the Lehigh Valley assessment area. While 19% of all families in the assessment area are considered low-income, just 7% of all home mortgage loans were made to low-income borrowers. Also, 19% of families are considered moderate-income, and 20% of all home mortgage loans were made to moderate-income borrowers. By comparison, 10% of Susquehanna Patriot's home mortgage loans were originated to low-income borrowers and 22% were to moderate-income borrowers. Overall, the bank performed above the market with both low- and moderate-income borrowers.

Susquehanna Patriot's overall distribution of loans reflects excellent penetration among retail customers of different income levels, particularly low-income families. This level of penetration is

considered excellent, especially because 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. In general, low-income families are less likely to qualify for a home mortgage loan. Obstacles to home ownership also exist for moderate-income families; however, the bank's distribution of loans to these borrowers is also excellent.

Susquehanna Patriot's participation in innovative and flexible lending programs that address the specific credit needs of low- and moderate-income borrowers enhances its home mortgage lending profile. Most notably, the bank developed CRA mortgage loan products to provide low- and moderate-income borrowers with the ability to purchase a home. The products allow for flexible underwriting standards and the use of alternative credit when no credit score exists, and restricts the loans to low- and moderate-income borrowers. During the evaluation period, Susquehanna Patriot originated 224 loans under these programs, aggregating \$22.4 million.

The bank also partners with Alliance for Building Communities (ABC) to provide down payment and closing cost assistance to low- and moderate-income homebuyers in the Lehigh Valley. ABC provides affordable housing options and counseling to low- and moderate-income families in the assessment area.

### **Lending to Businesses of Different Sizes**

Small business lending data were analyzed to determine the extent of lending to businesses of different sizes, especially small businesses. Susquehanna 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, the bank's small business lending was analyzed to determine whether loans were made to small businesses. This analysis reveals that, of the 184 loans originated by the bank during the evaluation period, 147 (or 80%) were originated to small businesses. By comparison, a review of all lenders in the market shows that just 45% of all small business loans were to small businesses.

In addition, of the 184 small business loans, 130 loans (or 71%) were extended in an amount of \$100 thousand or less. The number of small business loans originated in amounts of \$100 thousand or less is significant because smaller size loans are generally commensurate with the borrowing needs of smaller businesses and, as such, the bank's lending activity demonstrates that it is meeting the credit needs of smaller businesses.

To enhance its efforts in addressing the credit needs of small businesses in its assessment areas, Susquehanna Patriot participates as a SBA lender. During the period evaluated, the bank originated 90 SBA loans, totaling \$33.3 million. Susquehanna Patriot also operates a commercial leasing subsidiary, Susquehanna Patriot Bank Leasing Company. The leasing company provides lease financing to small businesses for equipment, office furniture, and computer systems.

Leasing provides a financing alternative for small businesses in the bank's assessment areas. As of August 31, 2006, lease financings aggregated \$159.5 million.

### **Community Development Lending**

Susquehanna Patriot had an excellent level of community development loans in its Lehigh Valley assessment area. During the period evaluated, the bank originated 18 community development loans totaling \$4.3 million. Seventeen loans, aggregating \$2.8 million, supported affordable housing initiatives and one loan, totaling \$1.5 million, supported economic development. The bank's community development loans included the following.

- A \$1.5 million loan to fund leasehold improvements and equipment purchase for a restaurant in the city of Bethlehem. The restaurant is part of a redevelopment effort by the city to renovate an abandoned warehouse that is part of the old Bethlehem Steel plant. The project (Lehigh Riverport) will be mixed-use, including both retail establishments and housing. The project qualifies for Federal historic preservation tax credits and is located in a government-designated redevelopment zone. The loan supports economic development by helping to revitalize the low-income area in which the business is located.
- Fifteen loans, aggregating \$2.7 million, for the purchase, refinance, or improvement of multi-family dwellings located in moderate-income census tracts. 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.
- A \$90 thousand line of credit to a non-profit community development corporation providing affordable housing to low- and moderate-income residents of Allentown. Loan proceeds provide working capital to support the organization's current housing projects.
- Renewal of an \$80 thousand line of credit to a non-profit affordable housing organization providing housing for low- and moderate-income senior residents of the Lehigh Valley.

### **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 that are still outstanding are considered under the test. For purposes of CRA, the term "qualified investment" has been defined to include a lawful investment, deposit, membership share, or grant that has as its primary purpose community development

Performance under the investment test is rated outstanding in the Lehigh Valley assessment area. Of the bank's total current investments, 18% were qualified investments attributed to this assessment area.

### **Volume of Investment and Grant Activity**



Susquehanna Patriot has an excellent level of qualified community development investments and grants in the assessment area. Overall, community development investments aggregated \$2.7 million. Of these investments, 90% supported affordable housing, 9% supported community development services and 1% supported economic development.

Recognized in previous examinations, the qualified investments mainly supported affordable housing initiatives, including an investment in HUD's Government Guaranteed Participation Certificates. The certificates represent an interest in a trust whose assets consist of notes issued by local governments who are eligible to receive HUD funds under the Community Development Block Grant (CDBG) Entitlement Program. States must award at least 70% of their CDBG funds for activities that benefit low- and moderate-income people. The certificates benefit the cities of Allentown and Bethlehem and aggregate \$1.0 million.

The bank also holds two investments, aggregating \$6.8 million, that support affordable housing in the Lehigh Valley, Reading, Camden and Philadelphia assessment areas. The portion of the investment benefiting the Lehigh Valley totals \$1.3 million. The investments are targeted mortgage-backed securities containing residential mortgage loans originated to low- and moderate-income borrowers, or inside low- and moderate-income census tracts in the assessment areas.

Susquehanna Patriot also made grants and contributions to various organizations that routinely provide affordable housing and community development services that benefit low- and moderate-income individuals and areas. During the evaluation period, the bank made \$300 thousand in qualified grants and donations in the Lehigh Valley assessment area. Most notably, the bank made a \$222 thousand donation to support financial literacy in the city of Allentown. The bank partnered with Economics Pennsylvania, a non-profit economic education and financial literacy organization, to establish a "Center for Economic Education" in Allentown. The donation qualified for Educational Improvement Tax Credits administered by the Pennsylvania Department of Community and Economic Development.

### **Responsiveness to Credit and Community Development Needs**

Susquehanna Patriot was responsive to credit and community development needs through the use of investments to support community development initiatives. Qualified investments primarily support affordable housing in an assessment area where housing costs are rising.

### **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 census tracts or low- and moderate-income persons in the assessment area.

- The reasonableness of business hours and services in meeting assessment area needs.
- The extent to which an institution provides community development services.

Susquehanna Patriot's performance under the service test is rated high satisfactory in the Lehigh Valley assessment area.

### **Accessibility of Delivery Systems**

The bank's delivery systems are accessible to essentially all portions of the assessment area, including low- and moderate-income census tracts. Susquehanna Patriot operates eight branches in the Lehigh Valley, of which two (or 25%) are located in low- and moderate-income areas. By comparison, 24% of the assessment area population resides in low- and moderate-income areas. All branches in the assessment area, including the low- and moderate-income branches, have late evening and weekend hours.

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

<b>Census Tract</b>	<b>Number of Branches</b>	<b>Percent Branches</b>	<b>Population</b>	<b>Percent Population</b>
Low-income	1	12	26,468	5
Moderate-income	1	13	111,886	19
Middle-income	4	50	290,622	50
Upper-income	2	25	150,180	26
<b>TOTALS</b>	<b>8</b>	<b>100%</b>	<b>579,156</b>	<b>100%</b>

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

To supplement traditional banking services, Susquehanna Patriot offers Internet banking to its customers free of charge on [www.susquehanna.net](http://www.susquehanna.net). By accessing Susquehanna's *Internet Banker*, customers can view account balances, transfer funds between accounts, and issue stop payments. In addition, the bank's Customer Service Center allows customers to bank by telephone. Through the Center, customers can access account information, open new accounts, renew CDs, apply for loans, and transfer funds between accounts.

### **Changes in Branch Locations**

To the extent changes have been made, Susquehanna Patriot's record of opening and closing branches in the Lehigh Valley has not adversely affected the accessibility of its delivery systems in low- and moderate-income census tracts or to low- and moderate-income individuals. The bank has not opened or closed any branches in this assessment area since the previous evaluation. However, the bank relocated its branch at 740 West Hamilton Street, Allentown, to 1139 West Hamilton Street, Allentown. The branch remains in a low-income census tract.

### **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 census tracts or individuals. Banking services are offered in a uniform and consistent manner among all branches.

### **Community Development Services**

Susquehanna Patriot provides an adequate level of community development services in the Lehigh Valley assessment area, including the following.

- Support for financial literacy by partnering with EconomicsPennsylvania to establish a “Center For Economic Education” in the city of Allentown. EconomicsPennsylvania is a non-profit economic education and financial literacy organization. Through seminars, workshops, course offerings, and instructional resources, the Center’s goal is to teach students how to become economically literate, productive members of the labor force, prudent savers and investors and knowledgeable consumers.
- Sponsoring or providing employees to participate in workshops marketed to low- and moderate-income first-time homebuyers. The community development organization partner was Creditworthy, Inc.

Other bank employees serve in various capacities at several community development organizations, providing needed technical expertise to these organizations. These organizations include:

- Allentown Economic Development Corporation
- Allentown Downtown Youth Center
- Community Action Development Corporation of Allentown
- Allentown Growers Market
- Alliance For Building Communities
- Community Action Committee of the Lehigh Valley
- Neighborhood Housing Services

### **Bank Products**

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

- a *Free Checking* account that offers unlimited check writing, no minimum daily balance requirements and no monthly service fee, provided the customer has a direct deposit relationship or active VISA Check Card; and
- an *Economy Checking* account designed for consumers who write eight or less checks per month. The account has no minimum balance requirement and a \$3.00 monthly service fee.

Both checking accounts provide greater access to banking services for low- and moderate-income consumers.

Susquehanna offers a *Flex Business Checking* account for businesses that generate 150 or fewer checks or deposited items per month, with no monthly service fees and no minimum balance requirements. This account provides greater access to banking services for small businesses.

## LIMITED REVIEW ASSESSMENT AREA CONCLUSIONS

In April 2006, Susquehanna Patriot acquired Minotola National Bank, a \$632 million bank headquartered in Vineland, NJ. With this acquisition, the bank began operations in both the Vineland-Millville-Bridgeton MSA and the Atlantic City MSA. Because the bank's entry into these markets is recent, limited reviews of its CRA performance in these areas were conducted. While full reviews were conducted and greater weight was given to the bank's performance in the Camden, Philadelphia, Reading, and Lehigh Valley assessment areas, bank performance in the Vineland and Atlantic City MSAs was determined to be consistent with the performance in the full review assessment areas. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

Conclusions regarding performance, which did not impact the overall institution rating, are as follows:

ASSESSMENT AREA	LENDING TEST	INVESTMENT TEST	SERVICE TEST
Vineland-Millville-Bridgeton, NJ, MSA (Cumberland County)	Consistent	Consistent	Consistent
Atlantic City, NJ, MSA (Atlantic County)	Consistent	Consistent	Consistent

### VINELAND-MILLVILLE-BRIDGETON, NJ, METROPOLITAN STATISTICAL AREA

Situated in southeastern New Jersey, the Vineland MSA consists of Cumberland County which has a total population of 146,438. Susquehanna Patriot's assessment area includes the entire MSA, which contains 34 census tracts, two of which are designated as low-income and seven moderate-income. All of the low- and moderate-income census tracts are located in the cities of Vineland, Bridgeton, and Millville. Since entering the Vineland market in April 2006, Susquehanna Patriot reported just 34 home mortgage loans aggregating \$1.6 million.

According to the FDIC's Summary of Deposits, as of June 30, 2006, there are ten depository institutions operating in the Vineland MSA. These institutions maintain a total of 46 branches holding \$1.8 billion in deposits. Susquehanna Patriot, with 7 branches in the assessment area, ranked 2<sup>nd</sup>, with \$296 million and 16% of the retail deposit market. Sun National Bank has a strong presence in this market and is ranked 1<sup>st</sup>, with 22% of area deposits.

The demographics for the Vineland MSA are detailed in the table on the page.

<b>Exhibit #7</b> <b>Vineland-Millville-Bridgeton, NJ MSA</b> <b>Assessment Area Demographics</b>
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Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	5.9	947	2.7	365	38.5	7,697	21.8
Moderate-income	7	20.6	5,713	16.2	1,277	22.4	6,209	17.6
Middle-income	15	44.1	19,607	55.4	1,985	10.1	7,196	20.3
Upper-income	7	20.6	9,106	25.7	377	4.1	14,271	40.3
Unknown income	3	8.8	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>34</b>	<b>100.0</b>	<b>35,373</b>	<b>100.0</b>	<b>4,004</b>	<b>11.3</b>	<b>35,373</b>	<b>100.0</b>
Housing Units by Tract	Housing Types by Tract							
	Owner-occupied		Rental		Vacant			
	#	%	%	#	%	#	%	
Low-income	1,467	520	1.6	35.4	771	52.6	176	12.0
Moderate-income	9,020	3,341	10.0	37.0	4,960	55.0	719	8.0
Middle-income	29,317	19,730	59.1	67.3	7,299	24.9	2,288	7.8
Upper-income	13,059	9,801	29.3	75.1	2,721	20.8	537	4.1
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>52,863</b>	<b>33,392</b>	<b>100.0</b>	<b>63.2</b>	<b>15,751</b>	<b>29.8</b>	<b>3,720</b>	<b>7.0</b>
Total Businesses by Tract	Businesses by Tract & Revenue Size							
	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
	#	%	#	%	#	%	#	%
Low-income	324	7.7	281	8.0	30	5.9	13	8.3
Moderate-income	731	17.5	624	17.8	67	13.1	40	25.7
Middle-income	1,988	47.6	1,623	46.2	292	57.1	73	46.8
Upper-income	1,135	27.2	983	28.0	122	23.9	30	19.2
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>4,178</b>	<b>100.0</b>	<b>3,511</b>	<b>100.0</b>	<b>511</b>	<b>100.0</b>	<b>156</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>84.0</b>		<b>12.2</b>		<b>3.7</b>	
Total Farm by Tract	Farm by Tract & Revenue Size							
	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	3	2.0	3	2.2	0	0.0	0	0.0
Middle-income	62	40.8	58	42.0	4	28.6	0	0.0
Upper-income	87	57.2	77	55.8	10	71.4	0	0.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>152</b>	<b>100.0</b>	<b>138</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farm:</b>			<b>90.8</b>		<b>9.2</b>		<b>0.0</b>	

**ATLANTIC CITY, NJ, METROPOLITAN STATISTICAL AREA**

Situated in southern New Jersey, the Atlantic City MSA consists of Atlantic County, which has a total population of 252,552 based on 2000 Census data. Susquehanna Patriot's assessment area includes the entire MSA, which contains 63 census tracts of which four are designated as low-income and eleven moderate-income. All of the low-income census tracts and eight moderate-income census tracts are located in Atlantic City. The remaining three moderate-income census tracts are located in Egg Harbor City and Pleasantville. Since entering the Atlantic City market in April 2006, Susquehanna Patriot reported just 16 home mortgage loans aggregating \$1.7 million.

According to the FDIC's Summary of Deposits, as of June 30, 2006, 17 depository institutions operate in the Atlantic City MSA. These institutions maintain a total of 85 branches holding \$4.7 billion in deposits. Susquehanna Patriot with 6 branches in the assessment area, ranked 7<sup>th</sup>, with \$232 million and 5% of the retail deposit market. Bank of America has a strong presence and ranked 1<sup>st</sup>, with 27% of the market. Commerce Bank, NA, is ranked 2<sup>nd</sup>, with 21% of the market.

The demographics for the Atlantic City MSA are detailed in the table on the following page.

Exhibit #8 Atlantic City, NJ MSA Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	4	6.3	2,288	3.6	806	35.2	12,260	19.3
Moderate-income	11	17.5	9,174	14.5	1,250	13.6	11,603	18.3
Middle-income	36	57.1	39,840	62.8	2,365	5.9	14,814	23.4
Upper-income	11	17.5	12,129	19.1	389	3.2	24,754	39.0
Unknown income	1	1.6	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>63</b>	<b>100.0</b>	<b>63,431</b>	<b>100.0</b>	<b>4,810</b>	<b>7.6</b>	<b>63,431</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	5,767	616	1.0	10.7	3,938	68.3	1,213	21.0
Moderate-income	17,920	6,093	9.7	34.0	8,956	50.0	2,871	16.0
Middle-income	70,960	41,651	66.1	58.7	17,142	24.2	12,167	17.1
Upper-income	19,419	14,656	23.2	75.5	1,948	10.0	2,815	14.5
Unknown income	24	24	0.0	100.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>114,090</b>	<b>63,040</b>	<b>100.0</b>	<b>55.3</b>	<b>31,984</b>	<b>28.0</b>	<b>19,066</b>	<b>16.7</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	578	6.0	449	5.3	68	7.7	61	14.5
Moderate-income	1,324	13.6	1,100	13.1	155	17.5	69	16.4
Middle-income	5,742	59.1	4,981	59.2	542	61.2	219	52.0
Upper-income	2,071	21.3	1,879	22.4	121	13.6	71	16.9
Unknown income	1	0.0	0	0.0	0	0.0	1	0.2
<b>Total Assessment Area</b>	<b>9,716</b>	<b>100.0</b>	<b>8,409</b>	<b>100.0</b>	<b>886</b>	<b>100.0</b>	<b>421</b>	<b>100.0</b>
	Percentage of Total Businesses:			86.6		9.1		4.3
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	1	0.9	1	1.0	0	0.0	0	0.0
Moderate-income	3	2.7	3	3.0	0	0.0	0	0.0
Middle-income	98	86.7	87	86.1	11	91.7	0	0.0
Upper-income	11	9.7	10	9.9	1	8.3	0	0.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>113</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>		<b>0.0</b>
	Percentage of Total Farms:			89.4		10.6		0.0

**CRA APPENDIXES**



## 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: loan distribution tables

**CRA APPENDIX B: LOAN DISTRIBUTION TABLES**

**LOAN DISTRIBUTION TABLE – CAMDEN, NJ**

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Home Purchase</b>							
Low	41	44.1%	2,688	23.9%	47	50.6%	3,275	29.1%
Moderate	10	10.8%	850	7.6%	12	12.9%	993	8.8%
Middle	31	33.3%	5,496	48.8%	11	11.8%	1,386	12.3%
Upper	11	11.8%	2,218	19.7%	20	21.5%	4,209	37.4%
Unknown	0	0.0%	0	0.0%	3	3.2%	1,389	12.4%
<b>Total</b>	<b>93</b>	<b>100.0%</b>	<b>11,252</b>	<b>100.0%</b>	<b>93</b>	<b>100.0%</b>	<b>11,252</b>	<b>100.0%</b>
	<b>Refinance</b>							
Low	2	1.9%	91	1.0%	13	12.3%	612	6.4%
Moderate	5	4.7%	195	2.0%	17	16.0%	1,085	11.3%
Middle	62	58.5%	5,059	52.7%	27	25.5%	1,795	18.7%
Upper	37	34.9%	4,255	44.3%	40	37.7%	4,806	50.0%
Unknown	0	0.0%	0	0.0%	9	8.5%	1,302	13.6%
<b>Total</b>	<b>106</b>	<b>100.0%</b>	<b>9,600</b>	<b>100.0%</b>	<b>106</b>	<b>100.0%</b>	<b>9,600</b>	<b>100.0%</b>
	<b>Home Improvement</b>							
Low	5	1.9%	109	1.0%	41	15.8%	1,230	11.4%
Moderate	9	3.5%	317	2.9%	50	19.3%	1,322	12.3%
Middle	173	66.8%	7,217	67.1%	78	30.1%	3,465	32.2%
Upper	72	27.8%	3,119	29.0%	87	33.6%	4,398	40.9%
Unknown	0	0.0%	0	0.0%	3	1.2%	347	3.2%
<b>Total</b>	<b>259</b>	<b>100.0%</b>	<b>10,762</b>	<b>100.0%</b>	<b>259</b>	<b>100.0%</b>	<b>10,762</b>	<b>100.0%</b>
	<b>Multi-Family</b>							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	1	100.0%	232	100.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	1	100.0%	232	100.0%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>232</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>232</b>	<b>100.0%</b>
	<b>HMDA Totals</b>							
Low	48	10.5%	2,888	9.1%	101	22.0%	5,117	16.0%
Moderate	24	5.2%	1,362	4.3%	79	17.2%	3,400	10.7%
Middle	267	58.2%	18,004	56.5%	116	25.3%	6,646	20.9%
Upper	120	26.1%	9,592	30.1%	147	32.0%	13,413	42.1%
Unknown	0	0.0%	0	0.0%	16	3.5%	3,270	10.3%
<b>Total</b>	<b>459</b>	<b>100.0%</b>	<b>31,846</b>	<b>100.0%</b>	<b>459</b>	<b>100.0%</b>	<b>31,846</b>	<b>100.0%</b>

LOAN DISTRIBUTION TABLE – CAMDEN, NJ (CONTINUED)

	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>Income Categories</b>	<b>By Tract Income</b>							
Low	2	0.7%	30	0.1%	0	0.0%	0	0.0%
Moderate	43	14.7%	10,618	17.8%	0	0.0%	0	0.0%
Middle	139	47.4%	23,878	40.0%	0	0.0%	0	0.0%
Upper	106	36.2%	24,707	41.5%	5	100.0%	735	100.0%
Unknown	3	1.0%	350	0.6%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>293</b>	<b>100.0%</b>	<b>59,583</b>	<b>100.0%</b>	<b>5</b>	<b>100.0%</b>	<b>735</b>	<b>100.0%</b>
	<b>By Revenue</b>							
Total \$1 Million or Less	126	43.0%	18,794	31.5%	4	80.0%	575	78.2%
Over \$1 Million	165	56.3%	39,914	67.0%	1	20.0%	160	21.8%
Not Known	2	0.7%	875	1.5%	0	0.0%	0	0.0%
<b>Total</b>	<b>293</b>	<b>100.0%</b>	<b>59,583</b>	<b>100.0%</b>	<b>5</b>	<b>100.0%</b>	<b>735</b>	<b>100.0%</b>
	<b>By Loan Size</b>							
\$100,000 or less	142	48.5%	7,650	12.8%	2	40.0%	200	27.2%
\$100,001 - \$250,000	81	27.6%	14,733	24.7%	3	60.0%	535	72.8%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	70	23.9%	37,200	62.5%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>293</b>	<b>100.0%</b>	<b>59,583</b>	<b>100.0%</b>	<b>5</b>	<b>100.0%</b>	<b>735</b>	<b>100.0%</b>
	<b>By Loan Size and Revenue \$1 Million or Less</b>							
\$100,000 or less	74	58.7%	3,788	20.2%	2	50.0%	200	34.8%
\$100,001 - \$250,000	34	27.0%	5,958	31.7%	2	50.0%	375	65.2%
\$250,001 - \$1 Million (Bus) - \$500k (Farm)	18	14.3%	9,048	48.1%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>126</b>	<b>100.0%</b>	<b>18,794</b>	<b>100.0%</b>	<b>4</b>	<b>100.0%</b>	<b>575</b>	<b>100.0%</b>

**LOAN DISTRIBUTION TABLE – PHILADELPHIA, PA**

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Home Purchase</b>							
Low	1	0.9%	104	0.5%	9	7.8%	1,007	4.5%
Moderate	18	15.7%	2,057	9.1%	29	25.2%	3,756	16.7%
Middle	51	44.3%	7,725	34.4%	22	19.1%	3,619	16.1%
Upper	45	39.1%	12,586	56.0%	37	32.2%	9,337	41.5%
Unknown	0	0.0%	0	0.0%	18	15.7%	4,753	21.2%
<b>Total</b>	<b>115</b>	<b>100.0%</b>	<b>22,472</b>	<b>100.0%</b>	<b>115</b>	<b>100.0%</b>	<b>22,472</b>	<b>100.0%</b>
	<b>Refinance</b>							
Low	1	0.9%	364	1.7%	12	10.2%	718	3.4%
Moderate	9	7.6%	1,380	6.6%	19	16.1%	2,017	9.6%
Middle	51	43.2%	6,081	29.0%	26	22.0%	3,977	19.0%
Upper	57	48.3%	13,136	62.7%	49	41.5%	12,073	57.6%
Unknown	0	0.0%	0	0.0%	12	10.2%	2,176	10.4%
<b>Total</b>	<b>118</b>	<b>100.0%</b>	<b>20,961</b>	<b>100.0%</b>	<b>118</b>	<b>100.0%</b>	<b>20,961</b>	<b>100.0%</b>
	<b>Home Improvement</b>							
Low	0	0.0%	0	0.0%	15	12.5%	383	4.1%
Moderate	11	9.2%	666	7.2%	18	15.0%	710	7.7%
Middle	45	37.5%	2,465	26.8%	29	24.2%	1,114	12.1%
Upper	64	53.3%	6,082	66.0%	47	39.2%	4,235	46.0%
Unknown	0	0.0%	0	0.0%	11	9.2%	2,771	30.1%
<b>Total</b>	<b>120</b>	<b>100.0%</b>	<b>9,213</b>	<b>100.0%</b>	<b>120</b>	<b>100.0%</b>	<b>9,213</b>	<b>100.0%</b>
	<b>Multi-Family</b>							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	2	22.2%	1,058	24.3%	0	0.0%	0	0.0%
Middle	2	22.2%	450	10.3%	0	0.0%	0	0.0%
Upper	5	55.6%	2,845	65.4%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	9	100.0%	4,353	100.0%
<b>Total</b>	<b>9</b>	<b>100.0%</b>	<b>4,353</b>	<b>100.0%</b>	<b>9</b>	<b>100.0%</b>	<b>4,353</b>	<b>100.0%</b>
	<b>HMDA Totals</b>							
Low	2	0.6%	468	0.8%	36	10.0%	2,108	3.7%
Moderate	40	11.0%	5,161	9.1%	66	18.2%	6,483	11.4%
Middle	149	41.2%	16,721	29.3%	77	21.3%	8,710	15.3%
Upper	171	47.2%	34,649	60.8%	133	36.7%	25,645	45.0%
Unknown	0	0.0%	0	0.0%	50	13.8%	14,053	24.6%
<b>Total</b>	<b>362</b>	<b>100.0%</b>	<b>56,999</b>	<b>100.0%</b>	<b>362</b>	<b>100.0%</b>	<b>56,999</b>	<b>100.0%</b>

**LOAN DISTRIBUTION TABLE – PHILADELPHIA, PA (CONTINUED)**

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>By Tract Income</b>							
Low	1	0.3%	350	0.7%	0	0.0%	0	0.0%
Moderate	16	5.2%	4,468	9.2%	0	0.0%	0	0.0%
Middle	83	26.8%	9,923	20.4%	0	0.0%	0	0.0%
Upper	210	67.7%	33,931	69.7%	1	100.0%	245	100.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>310</b>	<b>100.0%</b>	<b>48,672</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>245</b>	<b>100.0%</b>
	<b>By Revenue</b>							
Total \$1 Million or Less	210	67.8	26,423	54.3%	1	100.0%	245	100.0%
Over \$1 Million	72	23.2%	20,240	41.6%	0	0.0%	0	0.0%
Not Known	28	9.0%	2,009	4.1%	0	0.0%	0	0.0%
<b>Total</b>	<b>310</b>	<b>100.0%</b>	<b>48,672</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>245</b>	<b>100.0%</b>
	<b>By Loan Size</b>							
\$100,000 or less	192	61.9%	9,247	19.0%	0	0.0%	0	0.0%
\$100,001 - \$250,000	64	20.7	11,247	23.1%	1	100.0%	245	100.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	54	17.4%	28,178	57.9%	0	0.0%	0	0.0%
Over \$1 Million (Bus)- \$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>310</b>	<b>100.0%</b>	<b>48,672</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>245</b>	<b>100.0%</b>
	<b>By Loan Size and Revenue \$1 Million or Less</b>							
\$100,000 or less	143	68.1%	6,746	25.5%	0	0.0%	0	0.0%
\$100,001 - \$250,000	40	19.0%	6,666	25.2%	1	100.0%	245	100.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	27	12.9%	13,011	49.3	0	0.0%	0	0.0%
Over \$1 Million (Bus)- \$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>210</b>	<b>100.0%</b>	<b>26,423</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>245</b>	<b>100.0%</b>



**LOAN DISTRIBUTION TABLE – READING, PA MSA**

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Home Purchase</b>							
Low	8	6.0%	522	2.9%	11	8.2%	891	5.0%
Moderate	14	10.4%	749	4.2%	29	21.7	2,991	16.6
Middle	90	67.2%	13,832	77.0%	46	34.3%	6,677	37.2%
Upper	22	16.4%	2,854	15.9%	32	23.9%	5,129	28.6%
Unknown	0	0.0%	0	0.0%	16	11.9%	2,269	12.6%
<b>Total</b>	<b>134</b>	<b>100.0%</b>	<b>17,957</b>	<b>100.0%</b>	<b>134</b>	<b>100.0%</b>	<b>17,957</b>	<b>100.0%</b>
	<b>Refinance</b>							
Low	5	2.8%	436	2.5%	16	9.0%	947	5.5%
Moderate	12	6.7%	467	2.7%	43	24.0%	3,115	18.0%
Middle	145	81.0%	14,725	85.1%	50	27.9%	4,746	27.4%
Upper	17	9.5%	1,680	9.7%	60	33.5%	7,564	43.7%
Unknown	0	0.0%	0	0.0%	10	5.6%	936	5.4%
<b>Total</b>	<b>179</b>	<b>100.0%</b>	<b>17,308</b>	<b>100.0%</b>	<b>179</b>	<b>100.0%</b>	<b>17,308</b>	<b>100.0%</b>
	<b>Home Improvement</b>							
Low	2	1.9%	16	0.4	6	5.8%	193	4.2%
Moderate	3	2.9%	168	3.7%	20	19.2%	814	17.8%
Middle	86	82.7%	3,991	87.1%	38	36.5%	1,123	24.5%
Upper	13	12.5%	405	8.8%	36	34.6%	2,205	48.1%
Unknown	0	0.0%	0	0.0%	4	3.9	245	5.4
<b>Total</b>	<b>104</b>	<b>100.0%</b>	<b>4,580</b>	<b>100.0%</b>	<b>104</b>	<b>100.0%</b>	<b>4,580</b>	<b>100.0%</b>
	<b>Multi-Family</b>							
Low	4	30.8%	340	14.0%	0	0.0%	0	0.0%
Moderate	4	30.8%	663	27.3%	0	0.0%	0	0.0%
Middle	5	38.4	1,426	58.7%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	13	100.0%	2,429	100.0%
<b>Total</b>	<b>13</b>	<b>100.0%</b>	<b>2,429</b>	<b>100.0%</b>	<b>13</b>	<b>100.0%</b>	<b>2,429</b>	<b>100.0%</b>
	<b>HMDA Totals</b>							
Low	19	4.4%	1,314	3.1%	33	7.7%	2,031	4.8%
Moderate	33	7.7%	2,047	4.8%	92	21.4%	6,920	16.4%
Middle	326	75.8%	33,974	80.4%	134	31.2%	12,546	29.7%
Upper	52	12.1%	4,939	11.7%	128	29.7	14,898	35.2%
Unknown	0	0.0%	0	0.0%	43	10.0%	5,879	13.9%
<b>Total</b>	<b>430</b>	<b>100.0%</b>	<b>42,274</b>	<b>100.0%</b>	<b>430</b>	<b>100.0%</b>	<b>42,274</b>	<b>100.0%</b>

**LOAN DISTRIBUTION TABLE – READING, PA MSA (CONTINUED)**

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>By Tract Income</b>							
Low	11	4.5%	1,270	5.5%	0	0.0%	0	0.0%
Moderate	8	3.3%	1,227	5.3%	0	0.0%	0	0.0%
Middle	166	68.0%	14,196	61.6%	1	100.0%	200	100.0%
Upper	59	24.2%	6,354	27.6%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>244</b>	<b>100.0%</b>	<b>23,047</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>200</b>	<b>100.0%</b>
	<b>By Revenue</b>							
Total \$1 Million or Less	186	76.2%	15,582	67.6%	1	100.0%	200	100.0%
Over \$1 Million	36	14.8%	6,340	27.5%	0	0.0%	0	0.0%
Not Known	22	9.0%	1,125	4.9%	0	0.0%	0	0.0%
<b>Total</b>	<b>244</b>	<b>100.0%</b>	<b>23,047</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>200</b>	<b>100.0%</b>
	<b>By Loan Size</b>							
\$100,000 or less	189	77.5%	7,919	34.4%	0	0.0%	0	0.0%
\$100,001 - \$250,000	32	13.1%	5,299	23.0%	1	100.0%	200	100.0%
\$250,001 - \$1 Million (Bus) - \$500k (Farm)	23	9.4%	9,829	42.6%	0	0.0%	0	0.0%
Over \$1 Million (Bus) - \$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>244</b>	<b>100.0%</b>	<b>23,047</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>200</b>	<b>100.0%</b>
	<b>By Loan Size and Revenue \$1 Million or Less</b>							
\$100,000 or less	148	79.5%	5,706	36.6%	0	0.0%	0	0.0%
\$100,001 - \$250,000	23	12.4%	3,649	23.4%	1	100.0%	200	100.0%
\$250,001 - \$1 Million (Bus) - \$500k (Farm)	15	8.1%	6,227	40.0%	0	0.0%	0	0.0%
Over \$1 Million (Bus) - \$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>186</b>	<b>100.0%</b>	<b>15,582</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>200</b>	<b>100.0%</b>

**LOAN DISTRIBUTION TABLE - VINELAND-MILLVILLE-BRIDGETON, NJ MSA**

Income Categories	HMDA: Vineland-Millville-Bridgeton, NJ, MSA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>Home Purchase</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	1	50.0%	150	62.8%
Middle	1	50.0%	89	37.2%	0	0.0%	0	0.0%
Upper	1	50.0%	150	62.8%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	1	50.0%	89	37.2%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>239</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>239</b>	<b>100.0%</b>
<b>Refinance</b>								
Low	0	0.0%	0	0.0%	1	6.2%	12	1.2%
Moderate	1	6.2%	32	3.3%	0	0.0%	0	0.0%
Middle	8	50.0%	438	44.4%	3	18.8%	71	7.2%
Upper	7	43.8%	516	52.3%	12	75.0%	903	91.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>16</b>	<b>100.0%</b>	<b>986</b>	<b>100.0%</b>	<b>16</b>	<b>100.0%</b>	<b>986</b>	<b>100.0%</b>
<b>Home Improvement</b>								
Low	0	0.0%	0	0.0%	2	12.5%	20	5.2%
Moderate	3	18.8%	120	31.1%	6	37.5%	80	20.7%
Middle	6	37.5%	123	31.9%	2	12.5%	33	8.6%
Upper	7	43.7%	143	37.0%	6	37.5%	253	65.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>16</b>	<b>100.0%</b>	<b>386</b>	<b>100.0%</b>	<b>16</b>	<b>100.0%</b>	<b>386</b>	<b>100.0%</b>
<b>Multi-Family</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>HMDA Totals</b>								
Low	0	0.0%	0	0.0%	3	8.8%	32	2.0%
Moderate	4	11.8%	152	9.4%	7	20.6%	230	14.3%
Middle	15	44.1%	650	40.4%	5	14.7%	104	6.5%
Upper	15	44.1%	809	50.2%	18	52.9%	1,156	71.7%
Unknown	0	0.0%	0	0.0%	1	3.0%	89	5.5%
<b>Total</b>	<b>34</b>	<b>100.0%</b>	<b>1,611</b>	<b>100.0%</b>	<b>34</b>	<b>100.0%</b>	<b>1,611</b>	<b>100.0%</b>

**LOAN DISTRIBUTION TABLE – ATLANTIC CITY, NJ MSA**

Income Categories	HMDA Atlantic City, NJ MSA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Home Purchase</b>							
Low	1	25.0%	146	22.5%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	3	75.0%	503	77.5%	1	25.0%	190	29.3%
Upper	0	0.0%	0	0.0%	3	75.0%	459	70.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>4</b>	<b>100.0%</b>	<b>649</b>	<b>100.0%</b>	<b>4</b>	<b>100.0%</b>	<b>649</b>	<b>100.0%</b>
	<b>Refinance</b>							
Low	0	0.0%	0	0.0%	2	22.2%	43	4.6%
Moderate	0	0.0%	0	0.0%	2	22.2%	103	11.0%
Middle	8	88.9%	386	41.2%	1	11.1%	24	2.5%
Upper	1	11.1%	552	58.8%	3	33.4%	638	68.0%
Unknown	0	0.0%	0	0.0%	1	11.1%	130	13.9%
<b>Total</b>	<b>9</b>	<b>100.0%</b>	<b>938</b>	<b>100.0%</b>	<b>9</b>	<b>100.0%</b>	<b>938</b>	<b>100.0%</b>
	<b>Home Improvement</b>							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	2	66.7%	50	83.3%	2	66.7%	50	83.3%
Upper	1	33.3%	10	16.7%	1	33.3%	10	16.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>3</b>	<b>100.0%</b>	<b>60</b>	<b>100.0%</b>	<b>3</b>	<b>100.0%</b>	<b>60</b>	<b>100.0%</b>
	<b>Multi-Family</b>							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
	<b>HMDA Totals</b>							
Low	1	6.2%	146	8.9%	2	12.5%	43	2.6%
Moderate	0	0.0%	0	0.0%	2	12.5%	103	6.3%
Middle	13	81.3%	939	57.0%	4	25.0%	264	16.0%
Upper	2	12.5%	562	34.1%	7	43.8%	1,107	67.2%
Unknown	0	0.0%	0	0.0%	1	6.2%	130	7.9%
<b>Total</b>	<b>16</b>	<b>100.0%</b>	<b>1,647</b>	<b>100.0%</b>	<b>16</b>	<b>100.0%</b>	<b>1,647</b>	<b>100.0%</b>

**CRA APPENDIX C: MAP OF ASSESSMENT AREA**

