

PUBLIC DISCLOSURE

(September 7, 2005)

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**EAST PENN BANK
RSSD ID - 1901243
EMMAUS, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA
PHILADELPHIA, PENNSYLVANIA**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Reserve Bank of Philadelphia concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

East Penn Bank is rated **SATISFACTORY**.

TABLE OF PERFORMANCE TEST RATINGS

The following table indicates the performance levels of East Penn Bank with respect to the lending and community development tests.

PERFORMANCE TEST MATRIX		
	Lending Test	Community Development Test
Outstanding		
Satisfactory	X	X
Needs to Improve		
Substantial Noncompliance		

Major factors contributing to this rating include:

- the loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs;
- a substantial majority of loans and other lending-related activity is in the institution's assessment areas;
- the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas;
- the distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes given the demographics of the assessment areas;
- an adequate level of responsiveness to the community development needs of its assessment areas through community development loans, investments, and services, considering the institution's capacity and the need and availability of opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

East Penn Bank (East Penn), headquartered in Emmaus, Lehigh County, Pennsylvania, opened in 1991 as a state-chartered, full-service commercial bank. It offers a variety of consumer and commercial banking services at seven branch offices in Lehigh County and one in Berks County. Three offices in Emmaus, as well as one in Macungie, Lehigh County, are located in middle-income census tracts, while the offices in Trexlertown, Allentown, and Fogelsville, Lehigh County, are located in upper-income census tracts. The one office in Berks County, which comprises the Reading MSA, is located in a middle-income geography in Mertztown. East Penn operates seven automated teller machines (ATMs) at all of its branches except the newest branch in Emmaus, PA through its 24-hour Banking Network, which is linked with MAC, a regional ATM network, and STAR, a national and international ATM network.

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

Metropolitan Statistical Area	County	Number of Branches
Allentown-Bethlehem-Easton MSA	Lehigh County	7
Reading MSA	Berks County	1
Total Branches		8

LOANS

As of June 30, 2005, East Penn reported \$384.9 million in total assets, nearly 70% of which (\$268 million) was in loans. The composition of the portfolio has shifted since the last CRA evaluation in 2001 when loans secured by 1-4 family residential property comprised 55% of lending and commercial mortgages 23%. However, as of June 30, 2005, 1-4 family residential property was down to 33% and commercial mortgages were in the majority at 37%.

The composition of the bank's loan portfolio as of June 30, 2005 is presented in the following table.

LOANS	\$	%
Construction & Land Development	4,887	1.8
Open-End Loans Secured by Residential Property	13,181	4.9
Closed-End Loans Secured by Residential Property	76,536	28.5
Secured by Multifamily Residential Property	10,646	4.0
Commercial Mortgages	98,520	36.7
Commercial and Industrial	42,364	15.8
Consumer Revolving Credit Plans	2,445	1.0
Consumer Installment	3,412	1.3
Loans to Farmers	1,436	0.5
Other (including obligations of states and political subdivisions)	14,832	5.5
TOTAL	268,259	100%

DEPOSITS

According to the Federal Deposit Insurance Corporation's (FDIC) Statement of Deposits as of June 2005, Wachovia Bank NA, a super-regional bank headquartered in Charlotte, NC and the fourth largest bank in the United States, held 39.2% of the market share of deposits in East Penn's Lehigh County assessment area. Keystone Nazareth Bank and Trust (Bethlehem, PA) was second with 7.6%, and American Bank (Allentown, PA) third with 7.1%. Nineteen financial institutions had a total of 108 branches in the assessment area. East Penn, with six branches as of June 2005, is fifth overall with 5.7% of deposit market share in its assessment area.

East Penn's asset size and financial condition indicate it is able to meet the credit needs of its assessment area effectively. The bank has no legal or other impediments that would hamper its ability to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREAS

For purposes of CRA and this written evaluation, census tracts and family income levels are categorized and defined as follows:

- low-income census tracts and families have a median family income less than 50% of the MSA median family income;
- moderate-income census tracts and families have a median family income from 50% to less than 80% of the MSA median family income;
- middle-income census tracts and families have a median family income from 80% to less than 120% of the MSA median family income; and
- upper-income census tracts and families have a median family income equal to or greater than 120% of the MSA median family income.

For the purposes of CRA, East Penn has designated two assessment areas: the Lehigh County assessment area and the Berks County assessment area.

The Lehigh County assessment area comprises 68 census tracts encompassing the entire county of Lehigh, which is located in the Allentown-Bethlehem-Easton PA NJ (ABE MSA). According to 2000 Census data, 6 census tracts (9%) are designated as low-income, 17 (25%) as moderate-income, 31 (45%) as middle-income and 14 (21%) as upper-income. All of the low-income census tracts and most of the moderate-income census tracts are located in the city of Allentown.

The Berks County assessment area consists of six census tracts in the northwestern section of Berks County in the Reading MSA, where the bank's Mertztown branch is located. All six of these census tracts are designated as middle-income.

During the evaluation period, changes were made to the census tracts because of the 2000 Census and resulting changes in the Office of Management and Budget (OMB) designations of MSAs.

One change was the addition of Warren County in New Jersey to the ABE MSA, which accounts in part for the large increase in median family income (from \$55,700 in 2002 under the former MSA definitions as of the 1990 census to \$62,800 in 2004, using the 2000 census figures and 2004 MSA definitions). This increase caused changes in the number of both low-income census tracts, in which four moderate census tracts were reclassified as low-income, bringing the total to six, and six middle-income census tracts reclassified as moderate-income, bringing that total to 17. These changes occurred in part because median income in these areas failed to keep pace with the MSA as a whole. Changes in population patterns in the assessment area between the 1990 Census and the 2000 Census also dictated a shift in the number of census tracts in the assessment area, with Lehigh County losing a net of four census tracts. Overall, however, the statistics used to help evaluate East Penn's performance under the CRA remained very similar in spite of the changes. As a result, Home Mortgage Disclosure Act (HMDA) data for the entire period will be evaluated according to 2000 Census figures with 2004 OMB designations.

The median family incomes used in this evaluation are based on Housing and Urban Development (HUD) figures for 2004. All other demographic indices and statistics presented throughout this evaluation are based on 2000 U.S. Census data unless otherwise noted.

SCOPE OF EXAMINATION

The evaluation of East Penn's CRA performance covered the period from June 2001 through September 2005 and was performed utilizing the Interagency Intermediate Small Institution Examination Procedures adopted by the Board of Governors as of September 1, 2005. Procedures for intermediate small banks consist of two tests, the lending test and the community development test.

The lending test includes an analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the assessment areas;
- The geographic distribution of loans in the assessment areas, including lending in low- and moderate-income census tracts; and
- The extent of lending to borrowers of different incomes, including low- and moderate-income borrowers, and businesses of different sizes, including small businesses.

The loan products we evaluated included HMDA loans and CRA small business loans. Our evaluation is based on the bank's 2003 and 2004 HMDA data and the 2004 CRA data (the first year the bank was required to report such data). However, we also reviewed 2001 and 2002 data, which were consistent with data upon which we based our evaluation.

To evaluate the geographic distribution of loans, we classified census tracts on the basis of 2004 OMB classifications of 2000 U.S. Census data. We evaluated the distribution of loans to borrowers of different income levels based on 2004 adjusted median family income data, made available by HUD.

Our evaluation of the bank's performance under the new community development test included an analysis of the following factors:

- the number and amount of community development loans;
- the number and amount of qualified investments;
- the extent to which the bank provides community development services; and
- the bank's responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

We evaluated community development loans, investments, and services for the entire evaluation period to assess the bank's performance under the community development test.

Most of the bank's operations are located in the Lehigh County assessment area. We therefore performed a full review of the bank's performance in this assessment area. We also conducted a limited review of the bank's CRA performance in the Berks County assessment area.

Additionally, we reviewed written documentation of interviews conducted with community representatives, prepared by the Federal Reserve and other regulatory agencies, during the course of the evaluation to ascertain the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank is rated satisfactory under the lending test.

Loan-to-Deposit Ratio

A financial institution's loan-to-deposit ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters.

East Penn's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

The bank has maintained a satisfactory ratio, averaging 76.39% over the past 17 quarters of operation and slightly below the peer group average ratio of 80.02%.¹ Fluctuations in the ratio during the evaluation period were attributable to large increases in the sale of residential mortgages in the secondary market for the last several years, while commercial mortgage lending increased at a steadier pace. As a result, the bank's loan portfolio decreased until commercial lending levels rose enough to off-set the decline in residential mortgages. As commercial lending increased, however, the loan-to-deposit ratio has rebounded since a low of 70.57% in March 2003.

The following table shows East Penn's quarterly loan-to-deposit ratios for the 17 quarters since the previous evaluation, along with the average loan-to-deposit ratio for the same period.

EAST PENN BANK HISTORICAL LOAN-TO-DEPOSIT RATIOS			
AS OF DATE	NET LOANS (THOUSANDS)	TOTAL DEPOSITS (THOUSANDS)	RATIO
06/30/05	265,254	306,869	86.44
03/31/05	249,425	298,016	83.70
12/31/04	238,977	298,345	80.10
09/30/04	231,401	284,731	81.27
06/30/04	225,514	291,104	77.47
03/31/04	207,145	283,477	73.07
12/31/03	205,569	279,945	73.43
09/30/03	201,273	276,201	72.87
06/30/03	191,177	268,439	71.22
03/31/03	181,007	256,484	70.57
12/31/02	178,183	243,640	73.13
09/30/02	172,973	233,555	74.06
06/30/02	170,686	223,093	76.51
03/31/02	161,524	222,036	72.75
12/31/01	154,271	206,636	74.66
09/30/01	155,963	197,034	79.16
06/30/01	150,203	192,136	78.18
Quarterly Loan-to-Deposit Ratio Average Since Previous Examination			76.39

Source: The Uniform Bank Performance Report prepared by the Federal Deposit Insurance Corporation for use by Federal regulators.

Lending in Assessment Areas

The bank's HMDA and CRA small business and farm loans were analyzed to determine the volume of loans extended inside and outside of the bank's assessment areas. Most of East Penn's loans were made inside its assessment area.

¹ East Penn's national peer group consists of all commercial banks having assets between \$300 million and \$1 billion.

For home mortgage loans, 81% of originations and 72% of total dollars extended were in the bank's assessment area. For small business loans, 87% of originations and 83% of total dollars were extended in the bank's assessment area.

The table on the following page depicts the volume of loans extended inside and outside of the bank's assessment area.

East Penn Bank Lending Inside and Outside the Assessment Areas 2003 and 2004								
	Inside				Outside			
	#	%	\$000's	%	#	%	\$000's	%
Home Improvement	162	92.6	\$5,436	82.7	13	7.4	\$1,136	17.3
Home Purchase - Conventional	243	65.5	\$31,898	62.1	128	34.5	\$19,488	37.9
Multi-Family Housing	4	66.7	\$952	16.4	2	33.3	\$4,850	83.6
Refinancing	541	87.0	\$53,360	83.9	81	13.0	\$10,220	16.1
Total HMDA	950	80.9	\$91,646	72.0	224	19.1	\$35,694	28.0
Small Business	254	87.0	\$30,233	83.0	38	13.0	\$6,214	17.0
Total Small Business	254	87.0	\$30,233	83.0	38	13.0	\$6,214	17.0
Small Farm	1	100.0	\$85	100.0	0	0.0	\$0	0.0
Total Small Farm	1	100.0	\$85	100.0	0	0.0	\$0	0.0
TOTAL LOANS	1,205	82.1	\$121,964	74.4	262	17.9	\$41,908	25.6

Lehigh County Assessment Area

Description of the Assessment Area

East Penn's Lehigh County assessment area comprises Lehigh County in its entirety, which is located in the ABE MSA. The area's economy reflects general economic conditions in the MSA. The population in the area continues to grow, with immigration increasing threefold since 2000. Many new residents work in Philadelphia or New York and commute daily from the Lehigh Valley. The low cost of living is still a draw for many residents and businesses. However, as demand increases, home prices increase as well, making it more difficult for low- and moderate-income families to find affordable housing, even in low- and moderate-income neighborhoods in downtown Allentown.

The 2004 demographics used to assess the performance context in which East Penn operates are detailed in the table on the following page.

East Penn Bank 2004 Assessment Area Demographics Lehigh County Assessment Area								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	6	8.8	2,643	3.2	898	34.0	16,010	19.4
Moderate-income	17	25.0	17,066	20.7	2,562	15.0	15,815	19.3
Middle-income	31	45.6	38,632	46.9	1,649	4.3	18,798	22.8
Upper-income	14	20.6	24,000	29.2	349	1.5	31,718	38.5
Total Assessment Area	68	100.0	82,341	100.0	5,458	6.6	82,341	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	5,617	1,263	1.5	22.5	3,299	58.7	1,055	18.8
Moderate-income	29,874	14,707	17.5	49.2	12,871	43.1	2,296	7.7
Middle-income	61,647	41,519	49.5	67.3	17,494	28.4	2,634	4.3
Upper-income	31,772	26,407	31.5	83.1	4,346	13.7	1,019	3.2
Total Assessment Area	128,910	83,896	100.0	65.1	38,010	29.5	7,004	5.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	689	6.2	550	5.9	94	7.6	45	9.9
Moderate-income	2,069	18.7	1,694	18.1	302	24.5	73	16.1
Middle-income	4,983	45.2	4,287	45.8	462	37.5	234	51.5
Upper-income	3,309	29.9	2,834	30.2	373	30.4	102	22.5
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	11,050	100.0	9,365	100.0	1,231	100.0	454	100.0
	Percentage of Total Businesses:			84.8		11.1		4.1
	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	1	0.6	1	0.6	0	0.0	0	0.0
Middle-income	97	53.6	94	54.3	2	50.0	1	25.0
Upper-income	83	45.8	78	45.1	2	50.0	3	75.0
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	181	100.0	173	100.0	4	100.0	4	100.0
	Percentage of Total Farms:			95.6		2.2		2.2

Housing

The Lehigh County assessment area contains 128,910 housing units, 65% of which are owner-occupied. Single family units comprise 72% of the housing units, while two-to-four family units comprise 10%, mobile homes 2%, and multi-family units 16%. The median housing value in the assessment area is \$112,060. There is a large variation in housing values, with the median value in low-income census tracts at \$48,734, moderate-income census tracts at \$71,117, middle-income census tracts \$106,884, and upper-income census tracts \$161,220. The median gross rent is \$586 per month. The median age of housing stock is 42 years, although there is a large disparity within the assessment area. The median age of homes in low-income census tracts is 61 years, which is much higher than those in middle- and upper-income census tracts at 44 and 26 years, respectively.

Approximately 4% of the total number of housing units in the assessment area are in low-income census tracts, with 23% in moderate-income census tracts, 48% in middle-income census tracts, and the remaining 25% of the units in upper-income census tracts. The distribution of owner-occupied housing units throughout the assessment area was used as a proxy for loan demand when evaluating the bank's performance. The distribution of loans made to the different geography types was compared to the percentage distribution of owner-occupied units in those geography types. The percentage of owner-occupied units in low- and moderate-income census tracts is characteristically small, with low-income census tracts containing 1% of owner-occupied units and moderate-income census tracts 18%, as compared with middle- and upper-income census tracts at 50% and 32%, respectively.

Economic Characteristics

The assessment area is located in eastern Pennsylvania, strategically situated between the cities of Philadelphia and New York. In the first half of the twentieth century, the area had a diverse manufacturing economy dominated by the steel industry in Allentown and Bethlehem. By the late 1970's, manufacturing was in a rapid decline, and the structural transition from manufacturing to service employment began to occur. As a result of the decreasing industrial base, the area experienced some economic difficulties over the years, and income and housing measures within these cities have reflected this decline.

Today, the Lehigh Valley's economy is on the upswing, buoyed by growth in the service sector, particularly in trade, transportation, and utilities, as well as health and education, even as manufacturing continues to decline. The MSA economy has rebounded from a brief soft spot, and the residential housing market continues to be strong. The largest employers in the MSA include Lehigh Valley and St. Luke's Hospitals; local government and school districts; specialty manufacturers such as Air Products and Chemicals, Agere Systems, and Mack Trucks; and Lehigh University. Employment growth is centered on specialty manufacturers, healthcare, and warehouse and distribution, which has attracted companies because of low land acquisition costs and a strong transportation and distribution infrastructure.

According to community contacts made during the evaluation, the area needs funding for affordable housing and the rehabilitation of older homes in the assessment area.

As of June 2005, the seasonally unadjusted² unemployment rate for the area was fairly uniform, decreasing from a high of 5.6% in June 2004 to about 5% in June 2005. The following table details unemployment rates for the area.

	June 2005	June 2004
Lehigh County	5.0	5.6
Berks County/Reading MSA	5.1	5.6
ABE MSA	4.9	5.5
Pennsylvania	5.2	5.9
United States	5.2	5.8

Competition for mortgage loans in the assessment area is intense, with the market share spread thinly among many lenders. HMDA data for the assessment area for 2003, the latest year for which data is available, indicates that there were a total of 386 HMDA reporters originating and purchasing 29,233 loans. According to the 2003 HMDA statistics, Wachovia Bank NA originated the most HMDA loans among commercial banks in the assessment area (ranked third overall) with 6.4% of the market. Keystone Savings Bank (now Keystone Nazareth Bank and Trust) ranked fifth overall with 3.7%. East Penn ranked 14th overall with 518 HMDA loans in 2003 (1.8% of the market).

Countrywide Home Loans, Wells Fargo Home Mortgage, Chase Manhattan Mortgage Co., and Washington Mutual Bank together originated only 25% of the market, indicating that community and regional banks were able to capture a much larger portion of total market share of HMDA loans in the assessment area than in other areas of Pennsylvania where these nationwide mortgage lenders have originated up to 50% of HMDA loans.

Competition is also keen for small business loans, with 75 lenders reporting 8,464 CRA small business loans in 2003. Over 80% of these loans were originated by specialized lenders and include business credit cards. Local and regional banks with at least 1% of the market include Lafayette Ambassador Bank (2.7%), Keystone Savings Bank (1.3%), Sovereign Bank (1.1%), and American Bank (1.1%). East Penn was not required to report small business lending until 2004, so its loans are not included in the 2003 aggregate data.

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

Home mortgage and small business lending data was analyzed in conjunction with the review of the demographic and economic characteristics of the assessment area to determine the extent of lending to borrowers of different incomes and to businesses of different sizes. The analysis revealed the bank's excellent penetration among both borrowers of different income levels and businesses of different sizes.

² Seasonally unadjusted unemployment rates were used for comparison purposes.

Borrower Characteristics

The adjusted annual median family incomes for the ABE MSA for 2000 through 2004, based on data reported by HUD, are \$51,000, \$52,000, \$55,700, \$59,700, and \$62,800, respectively. The following table categorizes the dollar amounts recognized as low-, moderate-, middle- and upper-income, relative to the HUD adjusted median family income measures.

Year	HUD Adjusted Median Family Income	Low Income (<50%)	Moderate Income (50%-less than 80%)	Middle Income (80%-less than 120%)	Upper Income (120% or Greater)
2004	\$62,800	Less than \$31,400	\$31,400--\$50,239	\$50,240--\$75,359	\$75,360 or more
2003	\$59,700	Less than \$29,850	\$29,850--\$47,759	\$47,760--\$71,699	\$71,640 or more
2002	\$55,700	Less than \$27,850	\$27,850--\$44,559	\$44,560--\$66,839	\$66,840 or more
2001	\$52,000	Less than \$26,000	\$26,000--\$41,599	\$41,600--\$62,399	\$62,400 or more
2000	\$51,000	Less then \$25,500	\$25,500--\$40,799	\$40,800--\$61,199	\$61,200 or more

Lending to Borrowers of Different Incomes

The penetration of the bank's home mortgage loans among borrowers of different incomes, including low- and moderate-income borrowers, is excellent. East Penn's level of lending to low- and moderate-income borrowers is notable considering the high price of housing in the region. According to the Lehigh Valley Association of Realtors, the median home price in the Lehigh Valley as a whole (including all of Lehigh and Northampton Counties) was \$180 thousand during the period between January and August 2005. Median home prices by school district in Lehigh County in August 2005 ranged from a low of \$119 thousand in Allentown to highs of \$325 thousand in Northwestern Lehigh County and \$408 thousand in Southern Lehigh County.

The bank's lending is also notable because 61% of the low- and moderate-income families in the assessment area live in middle- and upper-income census tracts, where housing is very expensive. East Penn participates in several lending programs designed to help low- and moderate-income families become homeowners, including the Homeownership Outreach Program (HOOP). The program subsidizes down payment and closing costs for individuals and families buying homes in Lehigh and Northampton Counties.

One-to-two unit owner-occupied dwellings are eligible for purchase under this program. Lending institutions provide at least 90 percent of the financing; the HOOP will provide the remaining 10 percent, plus closing costs. The interest rate on HOOP loans is 3 percent, and applicants cannot earn more than 80 percent of the area's median family income. Additionally, applicants must attend a homeownership counseling seminar. East Penn purchased 14 of these loans in 2004, totaling \$746 thousand.

The bank also has a First-Time Homebuyers Program, which is designed to encourage and enable low- and moderate-income prospective buyers in the assessment area. To be eligible for the program, borrowers must be purchasing their first home, which must be located in the bank's assessment area.

The program offers flexible underwriting standards and charges no bank fees. East Penn originated 42 loans under the program for a total of over \$3.8 million during the evaluation period.

The percentage of low- and moderate-income families in the assessment area was used as a proxy for the demand for lending. Our analysis of the bank's HMDA lending for 2003 and 2004 revealed the following borrower income distribution for the bank's loans within its assessment area.

EAST PENN BANK LEHIGH COUNTY ASSESSMENT AREA HMDA LOANS (2003-2004) BORROWER INCOME DISTRIBUTION					
Geography	Number of Loans	Percent of Loans	Number of Families in 2004	Percent of Families	Percent of Loans / Percent of Families
Low	106	12	16,010	19	0.63
Moderate	176	21	15,815	19	1.10
Middle	225	27	18,798	23	1.17
Upper	343	40	31,718	39	1.02
All Borrowers	850 ³	100%	82,341	100%	1.00

The following table shows the bank's loan distribution by borrower income compared to that of the market in 2003⁴.

LEHIGH COUNTY ASSESSMENT AREA HOME MORTGAGE BORROWER INCOME DISTRIBUTION COMPARED TO MARKET HMDA DISTRIBUTION		
TYPE OF BORROWER	% of East Penn HMDA Loans 2003-2004	% of Aggregate HMDA Loans 2003
Low-income	12	7
Moderate-income	20	17
Middle-income	26	23
Upper-income	39	36
Unknown	3	17
All Borrowers	100%	100%

The statistics indicate that despite intense competition, the bank's performance is excellent when

³ The bank originated 31 loans for which income was unknown or unavailable, so these loans are excluded from this portion of the analysis.

⁴ 2003 is the latest year for which aggregate HMDA data is available.

measured against both the distribution of low- and moderate-income families and aggregate lending in the assessment area.

Lending to Businesses of Different Sizes

The analysis of the distribution of small business loans revealed it is consistent with the institution's asset size, lending capacity, and business objectives, and reflects an excellent penetration among business customers of different sizes.

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less. Small business loans are further quantified to identify those loans to businesses with gross annual revenues of \$1 million or less. Schedule RC-C Part II (Loans to Small Farms and Small Businesses) of the bank's Consolidated Reports of Condition and Income as of June 30, 2005, indicates that 59% of the bank's commercial loans were designated as small business loans, as detailed in the following chart.

EAST PENN BANK COMMERCIAL LOAN PORTFOLIO		
	AMOUNT OUTSTANDING AS OF 6/30/05 (\$000)	PERCENT
Loans with original amounts of \$100,000 or less	13,904	10
Loans with original amounts of more than \$100,000 through \$250,000	16,323	11
Loans with original amounts of more than \$250,000 through \$1,000,000	53,387	38
TOTAL SMALL BUSINESS LOANS	83,614	59
Loans with original amounts of greater than \$1,000,000	57,270	41
TOTAL COMMERCIAL LOANS	140,884	100%

The following table shows the bank's CRA small business loans in the bank's assessment area for 2004. The origination of a large majority of loans under \$100 thousand reveals a commitment to the credit needs of small businesses in the bank's assessment area.

EAST PENN BANK LEHIGH COUNTY ASSESSMENT AREA 2004 SMALL BUSINESS LOANS				
	Number	Percent	\$000	Percent
Loans with original amounts of \$100,000 or less	176	73	5,161	18
Loans with original amounts of more than \$100,000 through \$250,000	32	13	5,612	19
Loans with original amounts of more than \$250,000 through \$1,000,000	34	14	18,528	63
TOTAL SMALL BUSINESS LOANS	242	100%	29,301	100%

Small business loans were analyzed to determine if they were made to businesses with gross annual revenues of less than \$1 million. Business demographic data from Dun and Bradstreet indicate that 11,050 businesses reported revenue in the bank's assessment area in 2004, with 9,365 (85%) reporting revenue of less than \$1 million. Aggregate data from CRA small business reporters in the assessment area in 2003 indicates that only 31% of the loans in the assessment area were made to businesses with less than \$1 million in revenue. (East Penn is not included, as the bank was not a CRA small business reporter in 2003.) East Penn's CRA small business lending far exceeded that percentage, with 67% of the 242 loans originated to businesses with revenues less than \$1 million.

Moreover, of the 162 loans originated to businesses with gross annual revenues of \$1 million or less, 111 (69%) were extended in an amount of less than \$100 thousand.

The following table further quantifies the bank's small business lending based upon the annual revenue of the business.

EAST PENN BANK LEHIGH COUNTY ASSESSMENT AREA 2004 SMALL BUSINESS LOANS BUSINESS REVENUES				
	Number	Percent	\$000's	Percent
Loans to Businesses with Revenues of \$1 Million or less	162	67	20,629	70
Loans to Businesses with Revenues of more than \$1 Million	80	33	8,672	30
Total Small Business Loans	242	100%	29,301	100%

In summary, our evaluation found that East Penn's penetration among borrowers of different income levels and businesses of different sizes was excellent.

Geographic Distribution of Lending

The geographic distribution of loans was analyzed to determine the dispersion of loans among different census tracts within the assessment area. The analysis reflects reasonable 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 was 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 census tracts. Bank lending levels are considered reasonable even though East Penn originated only 7% of their HMDA reportable loans in low- and moderate-income census tracts during the evaluation period.

LEHIGH COUNTY ASSESSMENT AREA HMDA REPORTABLE LOANS (2003-2004) GEOGRAPHIC DISTRIBUTION					
Geography Income Level	Number of Loans	Percent of Loans	Number of Owner Occupied Units 2004	Percent of Owner Occupied Units	Percent of Loans / Percent of Units
Low	9	1	1,263	1	1.00
Moderate	55	6	14,707	18	0.33
Middle	384	44	41,519	50	0.88
Upper	433	49	26,407	32	1.53
All Borrowers	881	100%	83,896	100%	1.00

East Penn is attempting to originate more loans in the low- and moderate-income census tracts in its assessment area by participating in the Officer Next Door Program, which seeks to enable police officers to buy homes in the neighborhoods in which they serve, providing affordable housing for police officers, while also deterring crime in those neighborhoods.

This Housing and Urban Development (HUD) program is open to full-time police officers seeking to purchase homes in one of HUD's designated revitalization areas, including many of the low- and moderate-income census tracts in downtown Allentown. Officers are able to buy HUD-owned single family homes for 50% of the sale price, as long as they own no other homes and reside in the home for at least three years. East Penn has originated six loans aggregating \$192 thousand under the program since the last evaluation.

East Penn's home mortgage lending was compared to all lenders operating in the assessment area. The bank's performance in low-income census tracts was comparable to the aggregate at 1%; however, the bank's lending in moderate-income census tracts at 6% is well under the aggregate at 10%. This disparity could be attributable to the bank's involvement with local affordable housing programs in low-income census tracts in downtown Allentown, while moderate-income census tracts, six of which are newly classified as such, received less attention.

LEHIGH COUNTY ASSESSMENT AREA HOME MORTGAGE GEOGRAPHIC DISTRIBUTION COMPARED TO MARKET HMDA DISTRIBUTION		
TYPE OF GEOGRAPHY	% of East Penn HMDA Loans 2003-2004	% of Aggregate HMDA Loans 2003
Low-income	1	1
Moderate-income	6	10
Middle-income	44	46
Upper-income	49	43
All Borrowers	100%	100%

The bank has several obstacles to making loans in these census tracts, including the following: (1) only 19% of all owner-occupied housing units are located in these census tracts; (2) 63% of the families in these census tracts are low- or moderate-income; (3) only 45% of the housing units in those census tracts are owner-occupied (compared to 66% in the middle- and upper-income census tracts); and (4) the bank's branches are inconvenient to this area. These factors help explain why the bank only originated 7% of its HMDA loans in these census tracts. However, the bank's modest lending clearly indicates a need to investigate additional lending opportunities, especially in moderate-income areas.

Small Business Lending

An analysis of the geographic distribution of the bank's 2004 CRA small business loans was conducted to determine the dispersion of these loans among different census tracts within the bank's assessment area. The geographic distribution of the small businesses in the assessment area is used as a proxy for small business loan demand. Business demographics reveal that 6% of the small businesses in the assessment area are located in low-income census tracts, and East Penn originated 4% of its loans in low-income census tracts, while aggregate lenders originated 6% of their loans in these census tracts.

Moderate-income census tracts contain 18% of the small businesses; 9% of East Penn's loans were located in those census tracts, and aggregate lenders originated 11% of their loans in these moderate-income census tracts. East Penn's modest lending in these areas indicates a need to explore additional lending opportunities in these census tracts.

EAST PENN BANK LEHIGH COUNTY ASSESSMENT AREA CRA SMALL BUSINESS LOANS (2004) GEOGRAPHIC DISTRIBUTION					
Geography Income Level	Number of Loans	Percent of Loans	Number of Small Businesses in 2004	Percent of Small Businesses	Percent of Loans / Percent of Small Businesses
Low	9	4	550	6	0.66
Moderate	21	9	1,694	18	0.50
Middle	117	48	4,287	46	1.04
Upper	95	39	2,834	30	1.30
All Borrowers	242	100%	9,365	100%	1.00

LEHIGH COUNTY ASSESSMENT AREA CRA SMALL BUSINESS GEOGRAPHIC DISTRIBUTION COMPARED TO MARKET DISTRIBUTION		
TYPE OF GEOGRAPHY	% of East Penn Small Business Loans 2004	% of Aggregate Small Business 2003
Low-income	4	6
Moderate-income	9	11
Middle-income	48	49
Upper-income	39	32
All Borrowers	100%	100% ⁵

⁵ Percentages do not add to 100% because the location was unknown for 2% of the loans.

Response to Substantiated Complaints

No CRA-related complaints were filed against East Penn during the evaluation period.

Community Development Test

The bank is rated satisfactory under the community development test.

East Penn's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services in light of the institution's capacity and the need and availability of such opportunities for community development in its assessment area.

Community Development Loans

East Penn has demonstrated excellent responsiveness to community development lending needs. The Bank originated nine community development loans for a total of \$1.5 million during the evaluation period. An additional loan for \$660 thousand originated in 2001. East Penn is closely involved with the work of a non-profit organization in a low-income neighborhood in Allentown that provides affordable housing in their neighborhood by purchasing abandoned and burned-out properties, rehabilitating them to exacting standards using quality materials and workmanship, and selling or leasing them to low- and moderate-income families.

Through its work, this organization not only hires local workers and provides affordable housing for Allentown residents, but also offers hands-on training in all phases of construction. The program also helps to stabilize and revitalize the community over the long-term, one building at a time. East Penn provided over \$834 thousand in six loans to this organization during the evaluation period. Additionally, one loan remained on the bank's books since the previous evaluation in 2001, with a balance of \$660 thousand.

The bank also originated a loan of \$96 thousand to purchase and rehabilitate a 5-unit building in a low-income geography in Allentown, and originated another loan for \$520 thousand to finance the construction of a 15-unit building for low- and moderate-income handicapped individuals. Another bank originally financed this project; however, when cost overruns necessitated additional funds, the original lender declined to provide the funding. East Penn stepped in to refinance the entire project. The bank also provided a loan of \$23 thousand to renovate a building in a moderate-income geography that will be used as a Family Center to provide after school educational enhancement and recreation programs for neighborhood children and youth.

Qualified Investments

During the evaluation period, East Penn made a \$500 thousand investment in Pennsylvania Housing Finance Authority bonds, the proceeds of which are used to finance mortgages to low- and moderate-income individuals in the Commonwealth of Pennsylvania.

The bank also made various contributions to local entities involved in community development totaling almost \$27 thousand. These contributions supported local affordable housing initiatives, food banks, scholarships for local low- and moderate-income students, and financial education programs for low- and moderate-income families.

Community Development Services

Although none of East Penn's branch locations are located in low- or moderate-income census tracts, the bank's employees reach out to local community development organizations to provide meaningful community development services to the organizations and their members. These services include serving on the boards and finance committees of local housing and community advocate organizations, as well as providing homeownership and financial education to local low- and moderate-income adults and children. The most notable of these services include the following.

- An executive vice president serves on the board of directors of an organization dedicated to replacing abandoned buildings in low-income neighborhoods with quality affordable housing for sale or lease to low- and moderate-income families.
- A loan officer is on the board of directors and finance committee of an organization that provides a myriad of services to local low- and moderate-income families and individuals.
- A loan officer is on the board and finance committee of a local affordable housing entity.
- Two loan officers provide financial education to low- and moderate-income prospective homebuyers.

The bank also offers its STAR checking account, which requires no minimum balance and does not charge fees, to encourage low- and moderate-income unbanked individuals to open accounts. East Penn also allows public assistance recipients to access their funds from bank ATMs by accepting QUEST cards issued by states nationwide.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping community credit needs was revealed during the evaluation.

Limited Review Assessment Area Conclusions

A limited review of the bank's CRA performance in the Berks County assessment area was conducted. Although greater weight was assigned to the Lehigh County assessment area in assessing CRA performance, First Penn's performance in the Reading MSA was consistent with its performance in the Lehigh County assessment area.

The facts and data reviewed (including performance and demographic information) are located in the tables accompanying this report. Our conclusions regarding performance in the Berks County assessment area, which did not impact the overall institution rating, are as follows:

ASSESSMENT AREA	LENDING TEST	COMMUNITY DEVELOPMENT TEST
Berks County Assessment Area	Consistent	Consistent

CRA APPENDICES

CRA APPENDIX A: CRA LOAN DISTRIBUTION TABLES

**LOAN DISTRIBUTION TABLE – LEHIGH COUNTY ASSESSMENT AREA (ABE MSA)
2004**

Income Categories	HMDA – 2004							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	4	3.1%	70	0.4%	22	17.1%	1,035	6.6%
Moderate	22	17.1%	910	5.8%	20	15.5%	1,343	8.6%
Middle	51	39.5%	7,026	45.2%	24	18.6%	3,215	20.6%
Upper	52	40.3%	7,573	48.6%	54	41.8%	9,074	58.3%
Unknown	0	0.0%	0	0.0%	9	7.0%	912	5.9%
Total	129	100.0%	15,579	100.0%	129	100.0%	15,579	100.0%
	Refinance							
Low	0	0.0%	0	0.0%	20	13.8%	1,089	7.4%
Moderate	6	4.1%	491	3.3%	35	24.1%	2,545	17.2%
Middle	57	39.3%	5,102	34.5%	40	27.6%	3,827	25.9%
Upper	82	56.6%	9,189	62.2%	49	33.8%	7,087	47.9%
Unknown	0	0.0%	0	0.0%	1	0.7%	234	1.6%
Total	145	100.0%	14,782	100.0%	145	100.0%	14,782	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	14	16.1%	272	9.7%
Moderate	3	3.4%	59	2.1%	18	20.7%	361	12.8%
Middle	40	46.0%	1,332	47.4%	20	23.0%	496	17.6%
Upper	44	50.6%	1,422	50.5%	32	36.8%	1,554	55.3%
Unknown	0	0.0%	0	0.0%	3	3.4%	130	4.6%
Total	87	100.0%	2,813	100.0%	87	100.0%	2,813	100.0%
	Multi-Family							
Low	1	50.0%	96	23.1%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	1	50.0%	320	76.9%	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%	2	100.0%	416	100.0%
Total	2	100.0%	416	100.0%	2	100.0%	416	100.0%
	HMDA Totals							
Low	5	1.4%	166	0.5%	56	15.4%	2,396	7.2%
Moderate	31	8.5%	1,460	4.3%	73	20.1%	4,249	12.6%
Middle	149	41.1%	13,780	41.0%	84	23.1%	7,538	22.4%
Upper	178	49.0%	18,184	54.2%	135	37.2%	17,715	52.8%
Unknown	0	0.0%	0	0.0%	15	4.2%	1,692	5.0%
Total	363	100.0%	33,590	100.0%	363	100.0%	33,590	100.0%

**LOAN DISTRIBUTION TABLE – LEHIGH COUNTY ASSESSMENT AREA (ABE MSA)
2004 (CONTINUED)**

	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	By Tract Income							
Low	9	3.7%	313	1.1%	0	0.0%	0	0.0%
Moderate	21	8.7%	4,142	14.1%	0	0.0%	0	0.0%
Middle	117	48.3%	12,874	43.9%	0	0.0%	0	0.0%
Upper	95	39.3%	11,972	40.9%	1	100.0%	85	100.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	242	100.0%	29,301	100.0%	1	100.0%	85	100.0%
	By Revenue							
Total \$1 Million or Less	162	66.9%	20,629	70.4%	1	100.0%	85	100.0%
Over \$1 Million	80	33.3%	8,672	29.6%	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	242	100.0%	29,301	100.0%	1	100.0%	85	100.0%
	By Loan Size							
\$100,000 or less	176	72.7%	5,161	17.6%	1	100.0%	85	100.0%
\$100,001 - \$250,000	32	13.2%	5,612	19.2%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	34	14.0%	18,528	63.2%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	242	100.0%	29,301	100.0%	1	100.0%	85	100.0%

**LOAN DISTRIBUTION TABLE – LEHIGH COUNTY ASSESSMENT AREA (ABE MSA)
2003**

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	3	3.1%	110	0.8%	5	5.1%	313	2.2%
Moderate	8	8.2%	518	3.6%	15	15.3%	1,458	10.1%
Middle	37	37.7%	4,439	30.6%	29	29.6%	3,606	24.9%
Upper	50	51.0%	9,400	65.0%	46	46.9%	8,627	59.6%
Unknown	0	0.0%	0	0.0%	3	3.1%	463	3.2%
Total	98	100.0%	14,467	100.0%	98	100.0%	14,467	100.0%
	Refinance							
Low	1	0.3%	9	0.0%	39	10.8%	2,200	6.2%
Moderate	14	3.9%	600	1.7%	68	18.8%	4,927	13.8%
Middle	169	46.8%	14,270	40.0%	97	26.9%	7,935	22.2%
Upper	177	49.0%	20,830	58.3%	149	41.3%	20,078	56.2%
Unknown	0	0.0%	0	0.0%	8	2.2%	569	1.6%
Total	361	100.0%	35,709	100.0%	361	100.0%	35,709	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	6	10.5%	88	4.2%
Moderate	2	3.5%	7	0.3%	20	35.1%	694	32.9%
Middle	27	47.4%	778	36.9%	15	26.3%	557	26.4%
Upper	28	49.1%	1,324	62.8%	13	22.8%	660	31.3%
Unknown	0	0.0%	0	0.0%	3	5.3%	110	5.2%
Total	57	100.0%	2,109	100.0%	57	100.0%	2,109	100.0%
	Multi-Family							
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	100.0%	536	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%	2	100.0%	536	100.0%
Total	2	100.0%	536	100.0%	2	100.0%	536	100.0%
	HMDA Totals							
Low	4	0.8%	119	0.2%	50	9.7%	2,601	4.9%
Moderate	24	4.6%	1,125	2.2%	103	19.9%	7,079	13.4%
Middle	235	45.4%	20,023	37.9%	141	27.2%	12,098	22.9%
Upper	255	49.2%	31,554	59.7%	208	40.2%	29,365	55.6%
Unknown	0	0.0%	0	0.0%	16	3.0%	1,678	3.2%
Total	518	100.0%	52,821	100.0%	518	100.0%	52,821	100.0%

LOAN DISTRIBUTION TABLE – BERKS COUNTY ASSESSMENT AREA – (READING, PA MSA) 2004

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	4	50.0%	358	42.6%
Middle	8	100.0%	840	100.0%	2	25.0%	119	14.2%
Upper	0	0.0%	0	0.0%	2	25.0%	363	43.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	8	100.0%	840	100.0%	8	100.0%	840	100.0%
	Refinance							
Low	0	0.0%	0	0.0%	2	11.1%	116	6.4%
Moderate	0	0.0%	0	0.0%	2	11.1%	92	5.0%
Middle	18	100.0%	1,821	100.0%	6	33.3%	429	23.6%
Upper	0	0.0%	0	0.0%	7	38.9%	1,029	56.5%
Unknown	0	0.0%	0	0.0%	1	5.6%	155	8.5%
Total	18	100.0%	1,821	100.0%	18	100.0%	1,821	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	3	42.8%	141	64.1%
Middle	7	100.0%	220	100.0%	2	28.6%	43	19.5%
Upper	0	0.0%	0	0.0%	2	28.6%	36	16.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	7	100.0%	220	100.0%	7	100.0%	220	100.0%
	Multi-Family							
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%
Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	HMDA Totals							
Low	0	0.0%	0	0.0%	2	6.1%	116	4.0%
Moderate	0	0.0%	0	0.0%	9	27.3%	591	20.5%
Middle	33	100.0%	2,881	100.0%	10	30.3%	591	20.5%
Upper	0	0.0%	0	0.0%	11	33.3%	1,428	49.6%
Unknown	0	0.0%	0	0.0%	1	3.0%	155	5.4%
Total	33	100.0%	2,881	100.0%	33	100.0%	2,881	100.0%

LOAN DISTRIBUTION TABLE – BERKS COUNTY ASSESSMENT AREA (READING, PA MSA) 2004 (CONTINUED)

	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	By Tract Income							
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	12	100.0%	932	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%	0	0.0%	0	0.0%
Total	12	100.0%	932	100.0%	0	0.0%	0	0.0%
	By Revenue							
Total \$1 Million or Less	8	66.7%	395	42.4%	0	0.0%	0	0.0%
Over \$1 Million	4	33.3%	537	57.6%	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	12	100.0%	932	100.0%	0	0.0%	0	0.0%
	By Loan Size							
\$100,000 or less	9	75.0%	275	29.5%	0	0.0%	0	0.0%
\$100,001 - \$250,000	2	16.7%	307	32.9%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	1	8.3%	350	37.6%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	12	100.0%	932	100.0%	0	0.0%	0	0.0%

LOAN DISTRIBUTION TABLE – BERKS COUNTY ASSESSMENT AREA (READING, PA MSA) 2003

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	3	37.5%	315	31.2%
Middle	8	100.0%	1,012	100.0%	1	12.5%	47	4.6%
Upper	0	0.0%	0	0.0%	4	50.0%	650	64.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	8	100.0%	1,012	100.0%	8	100.0%	1,012	100.0%
	Refinance							
Low	0	0.0%	0	0.0%	2	11.8%	84	8.0%
Moderate	0	0.0%	0	0.0%	4	23.5%	249	23.8%
Middle	17	100.0%	1,048	100.0%	6	35.3%	357	34.1%
Upper	0	0.0%	0	0.0%	5	29.4%	358	34.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	17	100.0%	1,048	100.0%	17	100.0%	1,048	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	2	18.1%	5	1.7%
Moderate	0	0.0%	0	0.0%	1	9.1%	15	5.1%
Middle	11	100.0%	294	100.0%	4	36.4%	89	30.3%
Upper	0	0.0%	0	0.0%	4	36.4%	185	62.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	11	100.0%	294	100.0%	11	100.0%	294	100.0%
	Multi-Family							
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%
Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	HMDA Totals							
Low	0	0.0%	0	0.0%	4	11.1%	89	3.8%
Moderate	0	0.0%	0	0.0%	8	22.2%	579	24.6%
Middle	36	100.0%	2,354	100.0%	11	30.6%	493	20.9%
Upper	0	0.0%	0	0.0%	13	36.1%	1,193	50.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	36	100.0%	2,354	100.0%	36	100.0%	2,354	100.0%

**LOAN DISTRIBUTION TABLE – LEHIGH COUNTY ASSESSMENT AREA (ABE MSA)
2001 and 2002**

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	1	0.5%	99	0.5%	19	10.2%	1,226	5.6%
Moderate	3	1.6%	134	0.6%	39	20.8%	2,984	13.6%
Middle	94	50.3%	8,684	39.6%	44	23.5%	4,805	21.9%
Upper	89	47.6%	12,974	59.3%	83	44.4%	12,709	58.1%
Unknown	0	0.0%	0	0.0%	2	1.1%	167	0.8%
Total	187	100.0%	21,891	100.0%	187	100.0%	21,891	100.0%
	Refinance							
Low	1	0.5%	725	3.0%	9	4.6%	557	2.3%
Moderate	3	1.6%	179	0.7%	26	13.5%	1,944	8.0%
Middle	89	46.4%	9,991	41.0%	46	24.0%	4,515	18.5%
Upper	99	51.5%	13,496	55.3%	108	56.3%	17,072	70.0%
Unknown	0	0.0%	0	0.0%	3	1.6%	303	1.2%
Total	192	100.0%	24,391	100.0%	192	100.0%	24,391	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	11	7.3%	104	1.7%
Moderate	2	1.3%	107	1.7%	35	23.2%	973	15.7%
Middle	79	52.3%	2,653	42.8%	44	29.1%	1,678	27.1%
Upper	70	46.4%	3,433	55.3%	59	39.1%	3,341	53.9%
Unknown	0	0.0%	0	0.0%	2	1.3%	97	1.6%
Total	151	100.0%	6,193	100.0%	151	100.0%	6,193	100.0%
	Multi-Family							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	2	25.0%	71	5.0%	0	0.0%	0	0.0%
Middle	6	75.0%	1,348	95.0%	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%	8	100.0%	1,419	100.0%
Total	8	100.0%	1,419	100.0%	8	100.0%	1,419	100.0%
	HMDA Totals							
Low	2	0.4%	824	1.5%	39	7.2%	1,887	3.5%
Moderate	10	1.9%	491	0.9%	100	18.6%	5,901	10.9%
Middle	268	49.7%	22,676	42.1%	134	24.9%	10,998	20.4%
Upper	258	48.0%	29,903	55.5%	250	46.5%	33,122	61.5%
Unknown	0	0.0%	0	0.0%	15	2.8%	1,986	3.7%
Total	538	100.0%	53,894	100.0%	538	100.0%	53,894	100.0%

LOAN DISTRIBUTION TABLE – BERKS COUNTY ASSESSMENT AREA (READING, PA MSA) 2001 and 2002

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
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	6	100.0%	448	100.0%	4	66.7%	330	73.7%
Upper	0	0.0%	0	0.0%	2	33.3%	118	26.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	6	100.0%	448	100.0%	6	100.0%	448	100.0%
	Refinance							
Low	0	0.0%	0	0.0%	1	10.0%	15	1.8%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	10	100.0%	834	100.0%	2	20.0%	141	16.9%
Upper	0	0.0%	0	0.0%	7	70.0%	678	81.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	10	100.0%	834	100.0%	10	100.0%	834	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	1	8.3%	10	3.6%
Moderate	0	0.0%	0	0.0%	5	41.7%	102	36.8%
Middle	12	100.0%	277	100.0%	3	25.0%	108	39.0%
Upper	0	0.0%	0	0.0%	3	25.0%	57	20.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	12	100.0%	277	100.0%	12	100.0%	277	100.0%
	Multi-Family							
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%	1,344	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%	1,344	100.0%
Total	1	100.0%	1,344	100.0%	1	100.0%	1,344	100.0%
	HMDA Totals							
Low	0	0.0%	0	0.0%	2	6.9%	25	0.9%
Moderate	0	0.0%	0	0.0%	5	17.2%	102	3.5%
Middle	29	100.0%	2,903	100.0%	9	31.1%	579	19.9%
Upper	0	0.0%	0	0.0%	12	41.4%	853	29.4%
Unknown	0	0.0%	0	0.0%	1	3.4%	1,344	46.3%
Total	29	100.0%	2,903	100.0%	29	100.0%	2,903	100.0%

CRA APPENDIX B: DEMOGRAPHIC TABLES

East Penn Bank Assessment Area Demographics Lehigh County Assessment Area (ABE MSA) 2003								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	6	8.8	2,643	3.2	898	34.0	15,175	18.4
Moderate-income	12	17.6	12,100	14.7	2,137	17.7	15,261	18.6
Middle-income	35	51.5	41,379	50.3	1,989	4.8	18,645	22.6
Upper-income	15	22.1	26,219	31.8	434	1.7	33,260	40.4
Total Assessment Area	68	100.0	82,341	100.0	5,458	6.6	82,341	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	5,617	1,263	1.5	22.5	3,299	58.7	1,055	18.8
Moderate-income	20,825	10,163	12.1	48.8	8,967	43.1	1,695	8.1
Middle-income	67,808	43,536	51.9	64.2	21,174	31.2	3,098	4.6
Upper-income	34,660	28,934	34.5	83.5	4,570	13.2	1,156	3.3
Total Assessment Area	128,910	83,896	100.0	65.1	38,010	29.5	7,004	5.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	689	6.2	550	5.9	94	7.6	45	9.9
Moderate-income	1,303	11.8	1,073	11.5	180	14.6	50	11.0
Middle-income	5,534	50.1	4,717	50.4	569	46.3	248	54.6
Upper-income	3,524	31.9	3,025	32.2	388	31.5	111	24.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	11,050	100.0	9,365	100.0	1,231	100.0	454	100.0
	Percentage of Total Businesses:			84.8		11.1		4.1
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	81	44.8	79	45.7	1	25.0	1	25.0
Upper-income	100	55.2	94	54.3	3	75.0	3	75.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	181	100.0	173	100.0	4	100.0	4	100.0
	Percentage of Total Farms:			95.6		2.2		2.2

East Penn Bank Assessment Area Demographics Lehigh County Assessment Area (ABE MSA) 2001 and 2002								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	2.8	1,157	1.5	390	33.7	12,491	15.7
Moderate-income	11	15.3	7,562	9.5	1,230	16.3	14,723	18.5
Middle-income	44	61.1	51,651	64.9	2,066	4.0	20,975	26.3
Upper-income	13	18.1	19,238	24.1	243	1.3	31,419	39.5
Unknown-income	2	2.7	0	0.0	0	0.0	0	0.0
Total Assessment Area	72	100.0	79,608	100.0	3,929	4.9	79,608	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	2,376	541	0.7	22.8	1,547	65.1	288	12.1
Moderate-income	12,973	6,203	7.9	47.8	5,828	44.9	942	7.3
Middle-income	77,942	51,980	66.4	66.7	22,672	29.1	3,290	4.2
Upper-income	25,044	19,524	25.0	78.0	4,592	18.3	928	3.7
Total Assessment Area	118,335	78,248	100.0	66.1	34,639	29.3	5,448	4.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	153	1.4	144	1.5	3	0.2	6	1.3
Moderate-income	1,008	9.1	823	8.8	129	10.5	56	12.5
Middle-income	6,738	61.0	5,732	61.2	724	58.9	282	63.2
Upper-income	3,151	28.5	2,674	28.5	374	30.4	103	23.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	11,050	100.0	9,373	100.0	1,230	100.0	447	100.0
	Percentage of Total Businesses:			84.8		11.1		4.0
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	145	80.6	140	81.4	3	75.0	2	50.0
Upper-income	35	19.4	32	18.6	1	25.0	2	50.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	180	100.0	172	100.0	4	100.0	4	100.0
	Percentage of Total Farms:			95.6		2.2		2.2

East Penn Bank Assessment Area Demographics Berks County Assessment Area (Reading, PA MSA) 2003 and 2004								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,262	13.0
Moderate-income	0	0.0	0	0.0	0	0.0	1,725	17.8
Middle-income	6	100.0	9,712	100.0	273	2.8	2,485	25.6
Upper-income	0	0.0	0	0.0	0	0.0	4,240	43.6
Total Assessment Area	6	100.0	9,712	100.0	273	2.8	9,712	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	13,756	10,640	100.0	77.3	2,615	19.0	501	3.6
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	13,756	10,640	100.0	77.3	2,615	19.0	501	3.6
	Total Businesses by Tract	Businesses 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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	1,288	100.0	1,133	100.0	95	100.0	60	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,288	100.0	1,133	100.0	95	100.0	60	100.0
	Percentage of Total Businesses:			88.0		7.4		4.7
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	112	100.0	111	100.0	0	0.0	1	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	112	100.0	111	100.0	0	0.0	1	100.0
	Percentage of Total Farms:			99.1		0.0		0.9

East Penn Bank Assessment Area Demographics Berks County Assessment Area (Reading, PA MSA) 2001 and 2002								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,250	14.5
Moderate-income	0	0.0	0	0.0	0	0.0	1,547	17.9
Middle-income	5	100.0	8,640	100.0	319	3.7	2,551	29.5
Upper-income	0	0.0	0	0.0	0	0.0	3,292	38.1
Total Assessment Area	5	100.0	8,640	100.0	319	3.7	8,640	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	11,879	9,078	100.0	76.4	2,367	19.9	434	3.7
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	11,879	9,078	100.0	76.4	2,367	19.9	434	3.7
	Total Businesses by Tract	Businesses 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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	1,275	100.0	1,123	100.0	94	100.0	58	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,275	100.0	1,123	100.0	94	100.0	58	100.0
	Percentage of Total Businesses:			88.1		7.4		4.5
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	116	100.0	115	100.0	0	0.0	1	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	116	100.0	115	100.0	0	0.0	1	100.0
	Percentage of Total Farms:			99.1		0.0		0.9

CRA APPENDIX C: MAP OF ASSESSMENT AREAS

