

GENERAL INFORMATION

The Community Reinvestment ACT (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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 financial institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Woodlands Bank prepared by the Federal Reserve Bank of Philadelphia, as of April 1, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 208.

Institution's CRA Rating: Satisfactory

The rating is based upon: (1) the institution's high level of loans, in relationship to its deposits (2) the majority of the institution's loans that are located within its assessment area, (3) a reasonable geographic distribution of loans throughout the institution's assessment area, and (4) a reasonable distribution of loans to borrowers of different income levels.

COMMUNITY REINVESTMENT ACT ASSESSMENT

The following chart indicates the performance level of **WOODLANDS BANK** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	WOODLANDS BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination.		

Description of Institution

Woodlands Bank (WB) opened for business in September 1990. Its sole office is located in Loyalsock Township, Lycoming County which is proximate to Williamsport, Pennsylvania a major city in the region. From this location, the bank operates a full-service banking office and an automated teller machine (ATM) which is linked to a nationwide ATM system, Money Access Card (MAC). The lending efforts of the institution are primarily focused towards small- to medium-sized businesses in the community that require personalized service, knowledgeable lending personnel, and prompt credit decisions.

WB offers a variety of conventional loan and deposit products. The Uniform Consolidated Statement of Condition and Income as of December 31, 1995 reported total assets of \$64 million, of which \$41 million or 63.2% were loans; compared to \$52 million, \$38 million, and 73.5%, respectively, at December 31, 1994.

Description of Assessment Area

The bank utilizes its effective lending territory, in conjunction with existing geographic and natural boundaries, as the basis for determining its assessment area. The assessment area is located in the northern portion of the Williamsport Metropolitan Statistical Area (MSA) and

(continued)

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Description of Assessment Area (continued)

extends in a radius that is approximately five miles from WB's office. It includes Williamsport, the borough of Montoursville, and the township of Loyalsock. The assessment area includes 29 census tracts, four or 13.8%, of which, are designated as low- to moderate-income geographies by the U.S. Department of Housing and Urban Development (HUD). All of the low- to moderate income geographies are located in Williamsport.

As of December 31, 1995, civilian employment in the assessment area numbered 52, 566, 22.6%, of which, is professional and managerial; and 12.3%, of which, is involved in precision production, craft, and repair. The unemployment rate for the MSA is 7.1%, compared to 6.3% for the state of Pennsylvania and a national average of 5.6%.

The assessment area consists of 49,580 housing units, 31, 332 or 63.2%, of which, are owner-occupied. Rental units represent 27.5% of the total housing units; while 9.3% of the total units are vacant. The median value of housing units in the assessment area is \$54,104, as compared to a median value of \$69,700 for the state of Pennsylvania. The median age of the housing stock is 36 years and 49% of the homes in the assessment area were built prior to 1950.

The assessment area population consists of:

	Number	Percent
Market Population	118,710	100.0%
Low/Mod Income Population	11,201	9.4%
Middle Income Population	48,186	57.0%
Upper Income Population	29,828	35.2%
Minority Population	3,946	3.3%
L/M, Minority Population	1,720	1.4%

(L/M designates low- to moderate-income)

Loan to Deposit Ratio

According to the December 31, 1995 Uniform Bank Performance Report (UBPR), the loan-to-deposit ratio as of the same date equaled 72.2% as compared to a peer ratio of 65.6%. Peer data refers to all insured commercial banks having assets between \$50 million and \$100 million with two or less banking offices, and located in a metropolitan area.

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Loan to Deposit Ratio (continued)

The following chart depicts the loan-to-deposit ratios and asset and loan growth rates of the bank for a four-year period:

	12/31/95	12/31/94	12/31/93	12/31/92
Loan to Deposit	72.2%	81.6%	72.1%	69.4%
Asset Growth	24.4%	12.8%	22.6%	40.9%
Net Loan Growth	6.9%	27.8%	25.4%	49.1%

During this period, WB has exhibited considerable asset and loan growth which is attributed, in part, to management's emphasis on the development of a loan portfolio that is primarily comprised of small business and consumer loans.

The following chart depicts the quarterly loan-to-deposit ratios since the previous examination. The quarterly loan-to-deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters.

As Of	Net Loans	Deposits	Ratio
09/30/94	\$35,240,000	\$42,538,000	82.8%
12/31/94	\$40,517,000	\$56,146,000	72.2%
03/31/95	\$38,831,000	\$50,420,000	77.0%
06/30/95	\$38,892,000	\$52,937,000	73.5%
09/30/95	\$39,898,000	\$54,158,000	73.7%
12/31/95	\$40,517,000	\$56,146,000	72.2%
Quarterly Loan to Deposit Ratio Average Since Previous Examination			75.2%

The bank's loan-to-deposit ratio appears reasonable given its size and the credit needs within its assessment area.

Lending In Assessment Area

The following chart depicts WB's lending profile for all loans originated in 1995 exclusive of indirect consumer loans.

Loans Inside and Outside of Assessment Area Exclusive of Indirect Consumer Loans				
	Number	Percent	Dollar	Percent
Inside	481	73%	\$15,087,073	62%
Outside	177	27%	\$ 9,086,456	38%
Total Loans	658	100%	\$24,173,529	100%

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Lending In Assessment Area (continued)

In particular, the following charts depict the loan penetration of the bank within its assessment area by product type:

Penetration Levels by Product Type: Number of Loans				
	Number Inside	Percent Inside	Number Outside	Percent Outside
Consumer Loans	279	75%	94	25%
Residential Mortgage Loans	64	67%	31	33%
Commercial Loans	138	73%	52	27%
Total Loans	481	73%	177	27%

Penetration Levels by Product Type: Dollar Amounts				
	Dollar Amount Inside	Percent Inside	Dollar Amount Outside	Percent Outside
Consumer Loans	\$ 3,218,147	70%	\$1,414,046	31%
Residential Mortgage Loans	\$ 5,330,690	60%	\$3,504,825	40%
Commercial Loans	\$ 6,538,236	61%	\$4,167,585	39%
Total Loans	\$15,087,073	62%	\$9,086,456	38%

Additionally, WB's 1994 Home Mortgage Disclosure Act (HMDA) statement was reviewed to determine the extent of its lending presence within its assessment area. Details of the review are presented in the charts below.

1994 HMDA Application Penetration Profile		
	Number	Percent
Inside	133	67%
Outside	64	33%
Total Applications	197	100%

1994 HMDA Loan Penetration Profile		
	Number	Percent
Inside	119	69%
Outside	53	31%
Total Applications	172	100%

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Lending In Assessment Area (continued)

Based upon the preceding analyses, it was determined that a significant amount of the bank's credit extensions were originated within its assessment area. Moreover, WB's overall lending profile was determined to be satisfactory in view of its asset- size, financial condition, business objectives, and identified credit needs within the assessment area.

Lending to Borrowers of Different Incomes

A statistical sample of loan originations for the 60-day period, prior to the date of the examination, was reviewed to determine the distribution of borrowers of different income levels. Borrower incomes were categorized as follows:

- Low /Moderate Income Less than 80% of the Median MSA Income - Less than \$34,400

- Middle Income 80% to 120% of the Median MSA Income - Between \$34,400 and \$51,600

- Upper Income Greater than 120% of the Median MSA Income - Over \$51,600

The review indicated that the bank provided credit to borrowers of all income levels as summarized below.

Borrower Income Distribution						
	Consumer		Real Estate		Total	
	Number	Pct.	Number	Pct.	Number	Pct.
Low/Moderate	12	35%	6	35%	18	35%
Middle	9	27%	6	35%	15	30%
Upper	13	38%	5	30%	18	35%
Total	34	100%	17	100%	51	100%

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Lending to Borrowers of Different Incomes (continued)

Additionally, a review of WB's 1994 HMDA Disclosure statement disclosed the following borrower income distribution:

1994 HMDA Income Distribution for Assessment Area				
	Applications Received		Loans Originated	
	Number	Percent	Number	Percent
Low/ Moderate Income	29	22%	23	19%
Middle Income	33	25%	31	26%
Upper Income	67	50%	65	55%
Not Available	4	3%	0	0%
Total Appl./Loans	133	100%	119	100%

In view of the demographics of the bank's assessment area, the analysis revealed that WB's lending activities reflect a reasonable penetration among individuals of different income levels.

Lending to Business of Different Sizes

A small business loan for the purposes of CRA is a loan that is included in the category, "Loans to Small Businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income.

According to 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, 1995, all of the bank's commercial loans and commercial mortgage loans, reported at that date, were classified as small business loans as shown in the following chart:

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Lending to Business of Different Sizes (continued)

Loans to Small Business Consolidated Reports of Condition and Income as of 6/30/95 Schedule RC-C Part II Commercial and Industrial Loans				
	Number of Loans	Percent	Amount Outstanding at 6/30/95	Percent
Loans with original amounts of \$100,000 or Less	97	89%	\$1,381,000	53%
Loans with original amounts of more than \$100,000 through \$250,000	11	10%	\$1,012,000	39%
Loans with original amounts of more than \$250,000 through 1,000,000	1	1%	\$ 200,000	8%
Total	109	100%	\$2,593,000	100%

Loans to Small Business Consolidated Reports of Condition and Income as of 6/30/95 Schedule RC-C Part II Loans Secured by Nonresidential Properties				
	Number of Loans	Percent	Amount Outstanding at 6/30/95	Percent
Loans with original amounts of \$100,000 or Less	18	35%	\$ 986,000	10%
Loans with original amounts of more than \$100,000 through \$250,000	21	40%	\$2,996,000	30%
Loans with original amounts of more than \$250,000 through 1,000,000	13	25%	\$5,912,000	60%
Total	52	100%	\$9,894,000	100%

In addition, a statistical sample of commercial loans originated during for the 60-day period prior to the date of examination was reviewed to determine the distribution of loans to businesses of different sizes. Of the twenty commercial loans originated during this period, 19 or 95% were made to businesses with gross annual revenues of \$1 million or less.

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Lending to Business of Different Sizes (continued)

Based upon the foregoing information, the bank's lending profile, with regard to businesses of different sizes, is deemed reasonable. In addition, the number and dollar amount of WB's business loans appears commensurate with its asset-size and lending capacity.

Geographic Distribution of Loans

The bank has originated loans in low, moderate, middle, and upper-income geographies that comprise its assessment area. The following charts depict the geographic distribution of all loans originated within WB's assessment area during 1995, exclusive of indirect consumer loans.

Geographic Distribution of Loans Within Assessment Area Exclusive of Indirect Consumer Loans				
	Number	Percent	Dollar	Percent
Low/Mod	57	12%	\$1,460,948	10%
Middle	260	54%	\$7,167,464	48%
Upper	145	30%	\$5,209,036	34%
Undefined	19	4%	\$1,249,625	8%
Total	481	100%	\$15,087,073	100%

Geographic Distribution of Loans within Assessment Area By Product Type Exclusive of Indirect Consumer Loans								
	Consumer Loans		Residential Mortgages		Commercial Loans		Total Loans	
	Num.	Pct.	Num.	Pct.	Num.	Pct.	Num.	Pct.
Low/Mod	25	9%	10	16%	22	16%	57	12%
Middle	165	59%	32	50%	63	45%	260	54%
Upper	82	29%	22	34%	41	30%	145	30%
Undefined	7	3%	0	0%	12	9%	19	4%
Total	279	100%	64	100%	138	100%	481	100%

A review of WB's 1994 HMDA Statement revealed the following geographic distribution:

Geographic Distribution of Applications Within Assessment Area		
	Number	Percent
Low/Mod	8	6%
Middle	78	59%
Upper	47	35%
Total	133	100%

COMMUNITY REINVESTMENT ACT ASSESSMENT (CONTINUED)

Geographic Distribution of Loans (continued)

Geographic Distribution of Loans Within Assessment Area		
	Number	Percent
Low/Mod	7	6%
Middle	68	57%
Upper	44	37%
Total	119	100%

Given the preceding geographic analyses, the bank's lending efforts have resulted in a reasonable dispersion of loans throughout its assessment area.

Compliance with Antidiscrimination Laws

A review of the bank's credit policies revealed no evidence of prohibited discriminatory practices such as prescreening or the discouragement of applicants for the types of credit that are set forth in the bank's CRA statement. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and other agency regulations pertaining to nondiscriminatory treatment of credit applicants.

The institution solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. Management has established consumer and commercial loan policies that evidence its commitment to evaluate and offer credit requests without regard to any prohibited basis. Additionally, the bank is not currently engaged in any litigation related to credit statutes.