

PUBLIC DISCLOSURE

January 13, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Farmers Trust Bank
DSBB - 03423942**

Lebanon, Pennsylvania

**Federal Reserve Bank of Philadelphia
Ten Independence Mall
Philadelphia, Pennsylvania 19106**

Note: 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 financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Farmers Trust Bank** by the **Federal Reserve Bank of Philadelphia**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **January 13, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after that date.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall: (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and; (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

DISCUSSION OF INSTITUTION'S PERFORMANCE

INSTITUTION'S RATING: This institution is rated SATISFACTORY, based on the findings presented in the following discussion of the institutions performance.

The examination revealed that the bank is continuing to provide meaningful products and services to meet the credit needs of its community, including low-and moderate-income neighborhoods.

This assessment was based primarily on the institutions lending profile. In this regard, Farmers Trust Bank maintains a high level of loans in relation to deposits, the majority of the bank's loans were in its delineated community, the geographic distribution of loans reflected a reasonable dispersion throughout its delineated community, and an adequate penetration of loans to borrowers of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

The examination included an assessment of the institution's ascertainment, marketing, and lending performance. The review also includes an evaluation of the institution's compliance with anti-discrimination laws and regulations. In addition, interviews were conducted with representative of the Lebanon County Association of Realtors and the Lebanon Valley Economic Development Corporation in an effort to better understand the credit needs of the bank's delineated community. The evaluation was based solely on those activities and initiatives which occurred during the period between examinations.

The evaluation of the bank's lending activity consisted of an analysis of the bank's 1995 Home Mortgage Disclosure Act (HMDA) Disclosure Statement and 1996 HMDA Loan Application Register (LAR). In addition a sample of consumer loans and commercial loans originated during the two month period immediately preceding the examination were also reviewed to determine the effectiveness of the bank's lending profile.

PROFILE

DESCRIPTION OF INSTITUTION

FTB , headquartered in Lebanon, Pennsylvania, operates eight banking offices within Lebanon County. The bank's delineated community includes all of Lebanon County. Lebanon County is located in the Harrisburg-Lebanon-Carlisle Metropolitan Statistical Area (MSA) as defined by the U.S. Office of Management and Budget (OMB). The MSA also includes Cumberland, Dauphin and Perry Counties.

The bank operates in what is deemed a highly competitive market. Its primary service area contains a significant number of commercial banks and other financial institutions. Based on information provided in the January 31, 1997 issue of the Central Penn Business Journal, FTB's market share of deposits in Lebanon County has increased as a result of recent institution mergers. Specifically, the periodical indicated that FTB's market share of total deposits, among Lebanon County commercial banks, increased from 10.0% to 12.4% during the 12 month period ended June 30, 1996. Such increase moved the bank from fourth to third position within the county. FTB moved ahead of Dauphin Deposit Trust Company, based in Harrisburg, Pennsylvania, which fell to the fourth position in the county. CoreStates Bank and Lebanon Valley National Bank remains ahead of FTB with market shares of 33.6 % and 28.1 %, respectively, as of June 30, 1996.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

PROFILE (continued)

DESCRIPTION OF INSTITUTION (continued)

FTB continues to promote itself as a community bank, with emphasis on its comparatively small size, community orientation, and its ability to provide customized financial services and flexibility to individuals and businesses within its community. FTB is a wholly-owned subsidiary of Fulton Financial Corporation (FFC) which reported total assets of \$3.8 billion at year end 1996. FFC is a multi-bank holding company headquartered in Lancaster, Pennsylvania, with banking operations in Pennsylvania, Maryland, Delaware, and New Jersey.

The bank's Uniform Consolidated Reports of Condition and Income, filed as of December 31, 1996, reported total assets of \$166.3 million, 75% of which were loans. Year-end 1996 footings reflect a net increase of 4.2%, while total loans grew at a rate of 12.5%. Despite such modest growth, the bank continues to maintain a balance sheet composition with a high level of loans relative to deposits. FTB's loan-to-deposit ratio equaled 91% as of December 31, 1996.

FTB's loan portfolio reflects a continued retail orientation and an overall responsiveness to community credit needs. Loans secured by residential real estate totaled \$40.7 million, while retail consumer loans were \$34.3 million, collectively accounting for 60% of total loans at year end 1996. (Note: Although not all loans secured by residential real estate were extended to finance owner occupied properties, the majority of the bank's credit originations were extended for consumer purposes.) The balance of the portfolio was essentially comprised of commercial loans.

FTB recorded net income of \$2.3 million for fiscal 1996, which represented a 1.42% (peer 1.26%) return on average assets (ROAA). Peer data refers to all insured commercial banks having assets between \$100 million and \$300 million with three or more banking offices, and located in a metropolitan area.

REASONABLENESS OF DELINEATED COMMUNITY

FTB utilized its effective lending territory, in conjunction with existing geographic and natural boundaries, as a basis to delineate its local community. The delineated community includes all of Lebanon County. Lebanon County is located in the Harrisburg-Lebanon-Carlisle Metropolitan Statistical Area (MSA) as defined by the U.S. Office of Management and Budget (OMB). As already noted, the MSA also includes Dauphin, Cumberland, and Perry Counties. Consequently, the MSA's demographic and economic data does not precisely parallel conditions in the bank's delineated community. Nevertheless, economic conditions of the delineated community are generally consistent with those of the MSA.

The MSA's employment base supports a highly diversified group of manufacturers, transport companies, wholesale/retail merchandisers, financial institutions, and various service businesses. A network of highways connects the area to major urban centers in Washington, D.C., Baltimore, Maryland, and Philadelphia, Pennsylvania. Based on data compiled by the Federal Reserve Bank of Philadelphia's Department of Research and Statistics, the unemployment rate for the Harrisburg-Lebanon-Carlisle MSA remained at 2.9% in December 1996 for the third consecutive month. This rate compared favorably to both the statewide jobless rate of 4.9% and the national rate of 5.3% in December. Moreover, employment growth in the MSA has been steady during the period between 1990 and 1994 as the total number of full and part-time positions increased by 5.1%.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

PROFILE (continued)

REASONABLENESS OF DELINEATED COMMUNITY (continued)

The bank's delineated community includes 28 census tracts. Four or 14% of the tracts have been designated as low- to moderate-income, 23 or 82% have been designated as middle- income, and one or 4% have been designated as upper-income, based upon 1995 adjustments to 1990 U.S. Census data by the U.S. Department of Housing and Urban Development (HUD). Of the four low-to moderate-income census tracts in the delineated community; three are located in the city of Lebanon, and one in West Lebanon Township.

The census tract composition of FTB ' s delineated community and the respective populations of each census tract category are summarized below.

	Number	Percent
Low/Moderate-Income Census Tracts	4	14%
Middle-Income Census Tracts	23	82%
Upper-Income Census Tracts	1	4%
Total Census Tracts in Assessment Area	28	100%

	Number	Percent
Low/Moderate-Income Census Tract Population	18,198	16%
Middle-Income Census Tract Population	89,970	79%
Upper-Income Census Tract Population	5,576	5%
Market Population	113,744	100%

Additionally, the delineated community consists of 31,293 families. Based on 1990 U. S. Census data, 18% have been designated as low-income; 23% have been designated as moderate-income; 29% have been designated as middle-income; and 30% have been designated as upper-income. Five per cent or 1,629 of the families have been designated as living below the national poverty level. The majority of low- to moderate-income families reside in the city of Lebanon and West Lebanon Township. Family data is summarized below.

	Number	Percent
Low-Income Families	5,537	18%
Moderate-Income Families	7,093	23%
Middle-Income Families	9,073	29%
Upper-Income Families	9,590	30%
Total Families	31,293	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

PROFILE (continued)

REASONABLENESS OF DELINEATED COMMUNITY (continued)

Based on 1990 Census data, median family income for the delineated community is \$34,383, somewhat less than that of the MSA at 37,389, and slightly less than the state of Pennsylvania at \$34,856. Sixty-eight percent of all housing units within the delineated community are owner-occupied, slightly higher than the MSA, at 64%. The community's housing value is \$70,508, somewhat lower than the MSA at \$75,013, and comparable to the median value of \$69,075 for the state.

The largest urban area within the bank's delineated community is the city of Lebanon. Notwithstanding the overall demographics of the delineated community, the city has a sizable low-income population. The median family income for the city is \$26,598, substantially below that of the delineated community. Moreover, only 52% percent of the housing units in the city of Lebanon are owner-occupied, compared to 68% for the entire delineated community. The median value of such units is \$45,000, considerably below the median for the delineated community.

FTB's local community, as currently delineated for purposes of CRA, essentially reflects the bank's primary service area. Examination findings confirmed that the bank originates a substantial portion of its loans within its community (see Geographic Distribution section of this report). Additionally, the delineation does not arbitrarily exclude any low- and moderate-income geographies.

Assessment Factor K

The institution's ability to meet various credit needs based on its financial condition and size, legal impediments, local economic conditions, and other factors.

FTB's overall financial condition is not deemed an impediment to its ability to address the credit needs of its community.

Assessment Factor C

Extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The board of directors recognizes its corporate responsibility to oversee FTB's compliance with CRA.

The directors and senior management continue to provide leadership and direction regarding goals and objectives related to CRA. Such goals and objectives are effectively communicated to all FTB employees.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

PROFILE (continued)

REASONABLENESS OF DELINEATED COMMUNITY (continued)

Assessment Factor C (continued)

The directors are regularly apprised of the effectiveness of CRA-related lending, marketing, and service-oriented activities, conducted by the bank, through periodic presentations by FTB's CRA Officer. Such presentations are supplemented with reviews of demographic, economic, and other community-related information to monitor the appropriateness of the bank's delineated community; evaluate the bank's overall lending and business development programs; and to assist in the development of products and programs that respond to local credit needs. Finally, the directorate has demonstrated its support of the bank's CRA offering of non-conventional bank products targeted at the credit needs of the community's low- to moderate-income segments.

GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES

Assessment Factor E

The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

The following table depicts FTB's loan-to-deposit ratio and growth rates over the previous four consecutive years :

	12/31/96	12/31/95	12/31/94	12/31/93
Loan- to- Deposit	91.1%	87.5%	92.4%	81.6%
Asset Growth	4.2%	3.0%	12.2%	10.0%
Net Loan Growth	12.5%	3.0%	14.1%	6.4%

During the four year period, the bank maintained a loan-to-deposit ratio consistently above 80%. Moreover, the bank maintained a loan- to-deposit ratio that was consistently above peer averages throughout the eighteen month period between examinations. It should also be noted that FTB's loan-to-deposit ratios do not reflect the fact that the bank had sold approximately \$3.0 million of residential mortgage loans into the secondary market during this period.

An evaluation of the bank's lending presence within its community was made based on the following:

Analysis of FTB's 1995 Home Mortgage Disclosure Act (HMDA) Disclosure Statement and its 1996 HMDA Loan Application Register (LAR); and

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

**GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES
(continued)**

Assessment Factor E (continued)

Analysis of samples of consumer loans and commercial loans originated during the two month period immediately preceding the examination.

The tables below indicate that FTB extended a substantial majority of its home mortgage loan originations inside of its delineated community during calendar years 1995 and 1996.

1995 HMDA Loan Penetration Profile		
	Number	Percent
Inside	190	93%
Outside	14	7%
Total Loans	204	100%

1996 HMDA-LAR Loan Penetration Profile		
	Number	Percent
Inside	257	89%
Outside	32	11%
Total Loans	290	100%

The next table indicates that the samples of consumer and commercial loans, reviewed at this examination, also reflect a significant majority lending presence by the bank within its community.

Loan Sample Penetration Profile						
	CONSUMER LOANS		COMMERCIAL LOANS		TOTAL LOANS SAMPLED	
	Number	Percent	Number	Percent	Number	Percent
Inside	37	93%	9	75%	46	88%
Outside	3	7%	3	25%	6	12%
Total	40	100%	12	100%	52	100%

The same data, (1995 and 1996 HMDA and consumer and commercial loan samples), was also utilized to make an assessment of the geographic dispersion of credit among low/moderate income, middle income, and upper income geographies within the bank's delineated community. The tables on the following page depict the geographic distribution of loan originations reviewed.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

**GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES
(continued)**

Assessment Factor E (continued)

The 1995 HMDA Statement and 1996 HMDA LAR reflect the following geographic distributions, respectively.

1995 HMDA Census Tract Distribution		
	Loans Originated	
	Number	Percent
Low/ Moderate Income	33	17%
Middle Income	152	80%
Upper Income	5	3%
Total /Loans	190	100%

1996 HMDA Census Tract Distribution		
	Loans Originated	
	Number	Percent
Low/ Moderate Income	37	14%
Middle Income	217	84%
Upper Income	4	2%
Total /Loans	258	100%

The next table depicts the geographic distribution, by census tract, of consumer and commercial loans sampled.

LENDING PROFILE BY CENSUS TRACT						
	CONSUMER LOANS		COMMERCIAL LOANS		TOTAL LOANS SAMPLED	
	Number	Percent	Number	Percent	Number	Percent
Low/mod	4	11%	1	11%	5	11%
Middle	33	89%	8	89%	41	89%
Upper	0	0%	0	0%	0	0%
Total	37	100%	9	100%	46	100%

Based on 1990 Census data, 16% of the delineated community's population reside in low- to moderate-income census tracts, 79% in middle-income tracts, and 5% in upper-income tracts. The next table compares such demographics with the actual geographic distributions of 1995 and 1996 HMDA loans and the consumer and commercial loans sampled.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

**GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES
(continued)**

Assessment Factor E (continued)

	Delineated Community Demographics	1995 HMDA Loans	1996 HMDA Loans	Loans Sampled at this Exam
Low/Moderate	16%	17%	14%	11%
Middle	79%	80%	84%	89%
Upper	5%	3%	2%	0%
Total	100%	100%	100%	100%

In view of the demographics of FTB's community, the preceding geographic analysis reflects a reasonable dispersion of credit throughout the community, including low-to moderate-income geographies.

A low-to moderate-income designation refers to income which is less than 80% of the median family income of a given area, such as an MSA. As noted under Reasonableness of Delineated Community, the median family income of the Harrisburg-Lebanon-Carlisle MSA was \$34,383, based on 1990 Census data. Based on ongoing annual adjustments to this number by HUD, the MSA's adjusted 1995 median family income was \$41,600. Thus, borrower incomes for FTB's delineated community were categorized as follows:

Low /Moderate Income	Less than 80% of the Median MSA Income - Less than \$33,280
Middle Income	80% to 120% of the Median MSA Income - From \$33,280 and \$49,919.
Upper Income	120% or greater of the Median MSA Income - \$49,920 or Greater.

Again, 1995 and 1996 HMDA data and the samples of consumer and commercial loans were analyzed to evaluate the distributions of different loan types to borrowers of different income levels. The tables below depict such distributions.

1995 HMDA Borrower Income Distribution		
	Loans Originated	
	Number	Percent
Low/ Moderate Income	81	43%
Middle Income	56	29%
Upper Income	49	26%
Income Not Available	4	2%
Total Loans	190	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

**GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES
(continued)**

Assessment Factor E (continued)

1996 HMDA Borrower Income Distribution		
	Loans Originated	
	Number	Percent
Low/ Moderate Income	82	32%
Middle Income	83	32%
Upper Income	93	36%
Total Loans	258	100%

Loan Sample Borrower Income Distribution		
	CONSUMER LOANS	
	Number	Percent
Low/ Moderate Income	18	49%
Middle Income	13	35%
Upper Income	4	11%
Income Not Available	2	5%
Total Loans	37	100%

Based on 1990 census data, 40% of the families located in the delineated community were categorized as low-to moderate-income, 29% were categorized as middle-income, and 31% were categorized as upper-income. The table below compares such demographics with borrower income distributions.

	Delineated Community Income Distribution	1995 HMDA Loans	1996 HMDA Loans	Loans Sampled at this Exam
Low/Moderate	40%	43%	32%	49%
Middle	29%	29%	32%	35%
Upper	31%	26%	36%	11%
Income Not Available	0%	2%	0%	5%
Total	100%	100%	100%	100%

The distribution of borrowers reflects, given community demographics, a reasonable penetration among individuals of different income levels, including low- to moderate-income borrowers.

The examination also included an assessment of lending to small businesses. A small business loan, for purposes of this assessment, means a loan included in "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 farms and Small businesses) of the bank's Consolidated Reports of Condition and Income as of June 30, 1996, 87% of the bank's commercial loans were classified as small business loans and are detailed in the chart on the following page.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES (continued)

Assessment Factor E

Loans to Small Businesses		
	Amount Outstanding at 6/30/96	Percent
Loans with original amounts of \$100,000 or Less	\$9,818,000	26%
Loans with original amounts of more than \$100,000 through \$250,000	\$9,020,000	23%
Loans with original amounts of more than \$250,000 through \$1,000,000	\$14,728,000	38%
TOTAL SMALL BUSINESS LOANS@	\$33,566,000	87%
Loans with original amounts of Greater than \$1,000,000	\$5,031,000	13%
Total Commercial Loans	\$38,597,000	100%

The preceding distribution is deemed reasonable, for purposes of CRA, in view of the bank's size, lending capacity, and the overall demographics of the community.

Assessment Factor G

The institution's record of opening and closing offices and providing services at offices.

FTB provides banking services to customers within its delineated community via its main office and seven branch offices. The locations of the bank's main office and branch offices are deemed reasonably accessible to all segments of FTB's delineated community, including low- to moderate-income geographies. The location of the bank's offices are a listed below:

Main Office- 817 Cumberland Street, Lebanon, PA

Railroad Office- 250 N.8th Street, Lebanon, PA

Cedar Crest Square- 1764 Quentin Road, Lebanon, PA

Lebanon East- 1333 East Lehman Street, Lebanon, PA

Myerstown Office- Main & Locust Streets., Myerstown, PA

Cleona Square- 433 West Penn Ave., Cleona, PA

Palmyra Office- 41 N. Londonderry Square, Palmyra, PA

Schaefferstown Office- Route 501 North, Schaefferstown, PA

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES (continued)

Assessment Factor G (continued)

The Main Office and the Railroad Office are located in a low-to-moderate income geographies. The Palmyra Office is the only branch office located in an upper-income tract, while the other five offices are situated in middle-income tracts. The table below recaps FTB's office network by geography:

Farmers Trust Bank Geographic Distribution of Branch Network	
Branch Location	Census Tract Designation
Main Office	Low/Moderate
Railroad Office	Low/Moderate
Cedar Crest Square	Middle
Cleona Square	Middle
Lebanon East	Middle
Myerstown Office	Middle
Schaefferstown Office	Middle
Palmyra Office	Upper

The bank also operates a proprietary network of seven automated teller machines (ATMs) and is a member of a nationwide ATM system, Money Access Card (MAC), and an international network known as the CIRRUS system.

To effectively accommodate its customers, management periodically reviews the hours of operation for each of FTB's offices. In some instances, the bank has extended its weekday hours to become more responsive to the convenience and needs of its customer base or to conform to the general business hours within a particular community. The level of services at each office appears reasonable.

In compliance with Section 42 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), management has implemented procedures to assess the potential impact that any office closing would have upon the local community. In addition, FTB has formally adopted a branch closing policy, which provides for an objective methodology to determine those branch offices to be closed, continuity of services, consideration of alternative solutions, and the provision of sufficient advance notice to community members. No offices have been opened or closed since the previous examination.

MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor I

The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community or the purchase of such loans originated in its community.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (continued)

Assessment Factor I (continued)

FTB's CRA statement contains information regarding the bank's policies, programs, and efforts to ascertain and provide loan products and banking services to address the credit needs of its delineated community. In response to the increasing Hispanic population in the city of Lebanon, the bank has developed a Spanish translation of its CRA statement, which is available in each of its offices. The statement also indicates that the bank offers the following types of loans throughout its delineated community:

- C Personal Loans
- C Mobile Home Loans
- C Home Equity Loans
- C Residential Mortgage Loans
- C Farm Loans
- C Educational Loans
- C Industrial Development Authority Loans
- C Commercial Loans

The examination determined that the bank extends, throughout its local community, those credit products listed in its CRA statement. In this regard, FTB has undertaken satisfactory efforts to address identified credit needs through the origination of loans, including those for residential mortgages, housing rehabilitation, home improvement, and residential construction loans. The bank's 1996 HMDA LAR and its 1995 HMDA Disclosure Statement indicate that the bank originated a total of 290 home mortgage loans in an aggregate amount of \$11.8 million for 1996 and 204 loans in an aggregate amount of \$7.2 million for 1995. Overall loan approval rates for both years were 85.5% and for 1996 and 1995, respectively.

The bank is also a member of the Federal Home Loan Bank of Pittsburgh (FHLBP) and, through this affiliation, has access to FHLBP's Affordable Housing Program and Community Investment Program. Both programs are conducive to furthering community development initiatives. In addition, the bank routinely sells mortgage loan originations into the secondary mortgage market, in an effort to maintain a constant source of funding for future loan originations.

As noted under Geographic Distribution and Record of Opening and Closing Branches, the bank's Consolidated Report of Condition and Income as of June 30, 1996 indicates that of the \$38.6 million in commercial loans outstanding at that date, 87% had been extended to small businesses.

Assessment Factor J

The institution's participation in governmentally insured, guaranteed, or subsidized loan programs for housing, small business, and farm loans.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (continued)

Assessment Factor J (continued)

In addition to its conventional mortgage originations that fund local housing demands, FTB participates in the First Time Home Buyers Loan Program, sponsored by the city of Lebanon through a grant from HUD. The program is designed to assist the city's low- and moderate- income residents and other eligible persons to purchase properties with a maximum price of \$55,000 and a minimum down payment of 3%. Participants in this program are also required to attend a series of seminars covering personal credit and money management.

Under the program, FTB provides 30-year, fixed rate mortgage financing to cover 75% of the purchase price of any qualified dwelling, while the Lebanon County Redevelopment Authority provides the remaining 25% of the necessary funding. The bank has committed \$2.7 million in loans since the program's inception, which funded homes with an aggregate value of \$3.6 million sold to first time home buyers in the city of Lebanon. Through the end of 1996, FTB processed a total of 87 applications under the program. Based on information provided by the LCRA, 31% of the mortgages originated were extended to families with incomes of 50% or less of the median family income for Lebanon County.

Assessment Factor B

The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

FTB has developed and implemented marketing and advertising programs that promote its banking services. The bank's marketing and advertising activities are coordinated through and overseen by FFC's marketing department. In this regard, all advertising copy is reviewed for compliance with applicable laws and regulations.

Advertisements are disseminated to the delineated community through a variety of medium including lobby brochures, pamphlets, direct mail campaigns, and local newspapers. Management has designed advertisements to inform all segments of the community of FTB's loan products and banking services, including low- and moderate- income geographies. Formal advertisements are supplemented by community outreach, including outreach to low- and moderate-income geographies.

COMMUNITY DEVELOPMENT

Assessment Factor H

The institution's participation, including investments, in local community development and redevelopment projects or programs.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

COMMUNITY DEVELOPMENT (continued)

Assessment Factor H (continued)

FTB's participation in community development initiatives and projects is deemed reasonable, for purposes of CRA, given the bank's location, financial capacity, and managerial resources and the current economic conditions of the community in which it operates. Management is knowledgeable of community development and redevelopment programs within FTB's community through its ongoing network of affiliations and outreach initiatives.

Several loans, originated between examinations, were extended to support economic growth and revitalization within the community. Specifically, credit was offered and extended to support non-profit organizations; provide working capital to small businesses; and finance affordable housing initiatives. The following are representative of such credit extensions.

- C FTB is a \$1.4 million participant in a local low- to moderate-income housing project. The project consists of forty-one, one bedroom apartment units constructed on a 1.7 acre site. The typical unit in this complex is 565 square feet of living space. Twenty-five units are targeted to be rented to low-income persons (i.e. with an annual incomes of less than 50% of the applicable median income) and sixteen units are designated to be rented to moderate-income persons (i.e. with incomes ranging from 50% to 80% percent of the median income). The bank provided the initial funding for the project and permanent financing was provided by the Pennsylvania Housing Finance Agency (PHFA) and the Lebanon County Redevelopment Authority (LCRA).

- C The bank offers standby and other letters of credit that enable small- to medium-size businesses to purchase inventory, participate in the contract bidding process with various local or state government agencies, or to facilitate the construction of residential and commercial properties. In addition to its \$1.4 million lending participation in the aforementioned housing project, FTB assisted the project by providing three letters of credit totaling \$96,664, that were issued in favor of PHFA. In November 1996, one of these letters of credit was released. Two letters totaling \$61,964 remain open.

Assessment Factor L

Any other factors that in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

In addition to the aforementioned extensions of credit, FTB generally supports the credit needs of municipal authorities within its delineated community through the provision of short-term and long-term finance for municipal or infrastructural programs or projects.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

COMMUNITY DEVELOPMENT(continued)

Assessment Factor L (continued)

FTB also engages in activities, discussed below, that indirectly help address community credit needs.

- C The bank, together with a mortgage company, a credit bureau, a real estate group and six other local banks, participates in an entity known as the "Affordable Housing Council". The primary objective of the council is to address various housing-related issues in Lebanon County and provide seminars for first-time home buyers.

- C FTB participates with a local community organization to offer a seminar entitled "Homesteps". This seminar provides participants with an introduction to the mortgage lending and application process, which enables them to develop the financial and personal budgeting skills that contribute to successful home ownership.

Finally, FTB is a participant in the Lebanon County Housing Initiatives Committee (LCHIC). LCHIC, an adjunct of a local charitable organization, the United Way of Lebanon County, was created by community leaders to address homelessness issues and other housing needs in the county. LCHIC has established the following goals and objectives, which are to be met through the combined use of public and private resources within the community:

- C To provide education to the community in order to eliminate the obstacles that prevent access to affordable housing.

- C To serve as a forum for public discussion regarding local housing needs.

- C To develop effective methods to resolve housing problems.

- C To act as a resource for the community, local government, and any organizations that have a housing or social service focus.

DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor F

Evidence of prohibited discriminatory or other illegal credit practices.

A review of FTB'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. FTB 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.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES (continued)

Assessment Factor D

Any practices intended to discourage applications for the types of credit set forth in the institution's CRA statements.

FTB solicits credit applications from all segments of its community, including low- and moderate-income geographies. The examination revealed no unreasonable lending patterns nor evidence that the bank failed to serve its entire delineated community. Management has established consumer and commercial loan policies that evidence its commitment to evaluate and offer credit requests without regard to any prohibited basis. Management has also adopted measures to ensure that bank employees are apprised of the requirements of consumer protection statutes and other regulations that pertain to discrimination. The CRA officer has conducted training sessions for all employees to ensure even and consistent lending practices and that all credit applicants are treated in a fair manner. The bank also maintains printed material, videotapes, and other information relevant to CRA, credit discrimination, and other fair lending issues.

ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A

Activities conducted by the institution to ascertain the credit needs of its community , including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

FTB's management effectively utilizes both formal and informal methods to ascertain and respond to community credit and banking needs, including those of low-to moderate-income geographies. An integral part of the bank's needs assessment program is targeted community outreach conducted by its directors, management, and staff with various members of the community. This process has promoted a satisfactory means of communication with small business owners, housing service providers, individuals, community leaders, and business associations.

Additionally, FTB's directors, officers, and employees demonstrate a willingness to engage in community-oriented endeavors such as seminars, voluntarism, educational programs, and philanthropic activities. Such community-oriented activities facilitate working relationships with government and private sector representatives that, in turn, help identify community credit needs. The following are representative of such activities:

- C The bank provides technical assistance to numerous local organizations involved in community development activities. Most notably, FTB is actively involved with Potential Reentry Opportunities in Business and Education (PROBE) and the Hispanic Outreach Center.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

ASCERTAINMENT OF COMMUNITY CREDIT NEEDS (continued)

Assessment Factor A (continued)

- C The bank distributes pamphlets and other information that describe various social service and financial assistance programs offered by local, state, and federal governments. In addition, FTB has developed a brochure that lists banking services such as checking and savings accounts and the locations of its automated teller machines and branch offices. Additionally, this brochure is printed in Spanish and is provided, without charge, to a local community organization, the Hispanic Outreach Program.
- C The CRA officer has participated in the activities of Fiesta Latino, which is a local Hispanic outreach event that provides scholarship funds for the benefit of low- and moderate-income Hispanic students in Lebanon County. The scholarships are available to high school students or adults.

FTB also utilizes an ongoing officer call program to develop new business, maintain relationships with its present customers, and to reinforce the identity of the bank within its delineated community. Calling officers provide present and potential customers with information regarding banking services and loan products. Such ascertainment efforts, which are summarized by business type and census tract, are submitted to management as input from the community and a source of relevant and current information to the bank. Accordingly, the information is reviewed to determine if identified needs may be met through an existing loan product or a product that the bank could develop and implement. Consistent with its ongoing call program, FTB contacted the following entities between examinations.

- C Borough of Palmyra
- C Community of Lebanon Association
- C Habitat For Humanity
- C Hispanic Outreach Program
- C Jackson Township
- C Lebanon Building and Housing Board of Appeals
- C Lebanon Career and Technical Center
- C Lebanon County Affordable Housing Council
- C Lebanon County Area Agency on Aging
- C Lebanon County Economic Development Corporation
- C Lebanon County Estate Planning Council
- C Lebanon County Housing Initiatives Committee
- C Lebanon County Housing and Redevelopment Authority
- C Lebanon Valley Board of Realtors
- C Lebanon Valley Chamber of Commerce
- C Lebanon Zoning Board
- C North Lebanon Township
- C North Londonderry Township
- C Palmyra Interfaith Housing Council
- C Rental Property Owners Association of Lebanon County
- C South Central Pennsylvania Credit Council
- C Women in Business Committee-Lebanon Chamber of Commerce