



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

December 13, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Eagle National Bank
Charter Number 21118**

**8045 West Chester Pike
Upper Darby, PA 19082**

**Comptroller of the Currency
Eastern Pennsylvania Field Office
3325 Street Road Suite 120
Bensalem, PA 19020**

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

INSTITUTION'S CRA RATING:

This institution is rated Satisfactory.

Eagle National Bank's performance rating is supported by the following information:

- The average quarterly loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area credit needs, and competition from other lending sources.
- A majority of the loans originated were within the bank's assessment area.
- The distribution of lending to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Eagle National Bank (ENB) is a \$92 million institution headquartered in Upper Darby, Delaware County, Pennsylvania just west of Philadelphia. ENB's main office is located at 8045 West Chester Pike in Upper Darby, Pennsylvania. The only branch office is located approximately two miles away at 48 West Marshall Road in Lansdowne, Pennsylvania. Both locations are full service branch offices with proprietary automated teller machines. There were no offices opened or closed during the evaluation period.

The bank received its national charter on April 13, 1987. Before September 1, 2003, the bank was privately owned with one family owning 80% of the stock. On July 30, 2002, Pebblespring Holding Company was incorporated for the purpose of acquiring Eagle National Bank. Pebblespring later changed its name to Eagle National Bancorp, Inc. and acquired ENB on September 1, 2003. Prior to this acquisition, ENB had experienced financial strains, which hindered its ability to meet the credit needs of its assessment area. Eagle National Bancorp, Inc. raised \$11.6 million in a private offering to fund the acquisition of ENB. Substantially all of the money raised was used to re-capitalize the Bank and to payout the former minority shareholders of the Bank. ENB was merged into an interim subsidiary of Eagle National Bancorp, Inc. and immediately changed its name to Eagle National Bank, a new banking company. The reorganized bank is 100% owned by, and the only subsidiary of, Eagle National Bancorp, Inc. Although the family that formally owned 80% of the stock remains the largest shareholder of the holding company, institutional investors have effective control of the bank.

Through mid-year 2002 the bank's primary lending products were Cash 'Til Payday loans, which the bank owned, and residential mortgages that were primarily sold to the secondary market. On June 15, 2002, the bank ceased their Cash 'Til Payday lending program. During 2003, the senior management team underwent dramatic changes. The new administration

changed the bank's primary lending focus to commercial lending. As a result, residential mortgage lending was significantly reduced and is no longer considered a primary loan product. In fact, in early 2004 ENB's mortgage department was disbanded and all prospective residential mortgage customers are referred to a non-affiliated company, Express Mortgage.

As of September 30, 2004, ENB reported gross loans of \$50 million and total deposits of \$74 million. The loan portfolio represents 53% of total assets. As of September 30, 2004, the composition of the loan portfolio consisted of residential mortgage products at 42%, commercial real estate at 40%, commercial loans at 11%, consumer loans at 4%, and land development and construction loans at 3%.

ENB's previous CRA examination was performed on May 5, 1999, and the bank was assigned an overall "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

ENB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. During 2002, the bank's AA consisted of five whole counties: Delaware, Chester, Philadelphia, Bucks, and Montgomery. In January 2003, management determined the AA was too broad and it did not accurately represent their primary lending area. As a result, management redefined the AA and it now consists of Delaware and Philadelphia Counties, the southern portion of Montgomery County, and the central and eastern portions of Chester County. Based on the 2003 Metropolitan Statistical Area (MSA) boundaries, these counties are part of the Philadelphia MSA 6160. Based on the 2004 MSA boundaries, these counties are part of the Philadelphia Metropolitan Division (MD) 37964.

Characteristics of AA Based on 2003 Demographic Data for MSA 6160

The AA had a total of 730 census tracts (CTs) that consisted of 17%, or 127 low-income tracts, 24% or 174 moderate-income tracts, 28% or 204 middle-income tracts, 28% or 208 upper-income tracts, and 2% or 17 unclassified tracts.

According to the 2000 U.S. Census data, the population of the assessment area is 2,829,997 individuals. This population consisted of approximately 1,088,551 households and 695,893 total families. There were 1,181,591 housing units in the assessment area: 60% were owner-occupied, 32% were rental units, and 8% were vacant units. The median housing cost was \$111,849. The median family income was \$57,116 and the HUD updated MSA Median Family income was \$68,200 in 2003.

According to the 2003 Business Demographic Data, there are a total of 249,902 businesses within the assessment area. The three largest industries are services, retail trade, finance, insurance and real estate. These industries account for approximately sixty one percent of total employment. Fifty nine percent of the businesses reporting have revenues less than \$1 million. Thirty six percent of the businesses did not report revenues.

Characteristics of AA Based on 2004 Demographic Data for MD 37964

The AA had a total of 730 census tracts (CTs) and consisted of 17% or 121 low-income tracts,

24% or 172 moderate-income tracts, 28% or 201 middle-income tracts, 30% or 219 upper-income tracts, and 2% or 17 unclassified tracts.

According to the 2000 U.S. Census data, the population of the assessment area is 2,829,997 individuals. This population consisted of approximately 1,088,551 households and 695,893 total families. There were 1,181,591 housing units in the assessment area: 60% were owner-occupied, 32% were rental units, and 8% were vacant units. The median housing cost was \$111,849. The median family income was \$57,116 and the HUD updated MSA Median Family income was \$66,300 in 2004.

Other AA Characteristics

The local economy is relatively stable. As of September 2004, the unemployment rate for the Philadelphia MD was 5.0% compared to the Pennsylvania statewide unemployment rate of 5.4% and the national unemployment rate of 5.4%. Some of the major employers include the City of Philadelphia, Philadelphia International Airport, and Comcast.

ENB faces strong competition from larger regional banks, community banks, and savings banks. According to the June 30, 2004 FDIC Summary of Deposits Market Share Report, ENB had a .12% market share within the four counties included in the AA. Since ENB's two branches are located in Delaware County, we assessed their market share within this county. ENB had a .94% market share within Delaware County and ranked 16th out of 34 lenders. The top five institutions are Wachovia Bank, N.A., Citizens Bank of PA, PNC Bank, N.A., Sovereign Bank, and Commerce Bank Pennsylvania, N.A.

We made one community contact with an Upper Darby Councilman. Based on our conversation, community credit needs include small business lending. The Councilman advised there is currently an initiative to revitalize the Market Street area. One goal is to encourage existing businesses to expand and attract new businesses and housing developments. The Councilman stated that ENB has helped the community tremendously in the past and is currently proactive in seeking out ways to meet the needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this examination is from January 1, 2002 through September 30, 2004. During 2002 and 2003, there were significant changes in the bank's management team as well as the bank's lending philosophy and practices. As mentioned earlier, the bank's primary lending products before the bank's reorganization were Cash 'Til Payday loans and residential mortgages. On June 15, 2002, the bank ceased their Cash 'Til Payday lending program. Since 2002, residential mortgage lending was significantly reduced and is no longer considered a primary loan product. At the beginning of 2003, one commercial loan officer was hired and was the sole commercial loan officer until the fourth quarter of 2004, when an additional loan officer as well as two additional commercial loan personnel was hired. As of the beginning of 2004, ENB's mortgage department is no longer operating and all mortgage customers are referred to Express Mortgage.

Our discussions with bank management and our review of the financial information indicated that small business loans were ENB's primary lending product for 2003 and 2004. Even though ENB is not required to collect data for small business, management does keep a record of their small business lending. Since we were able to utilize their loan data, we reviewed and analyzed every business loan originated from January 1, 2003 through September 30, 2004.

ENB originated a total of thirteen home mortgage loans during 2003 and year to date September 30, 2004. Since the level of home mortgage loans was minimal and the mortgage department is no longer operating, an analysis of these products would not be meaningful and was not performed. The bank did not grant any farm loans during the examination period. Consumer lending is not a primary lending product during this evaluation and was not reviewed.

Based on the above facts, an analysis of the 2002 data would not be meaningful and is not reflective of the current management or the bank's lending philosophy or practices. Therefore, we will analyze only the full year of 2003 and year to date September 30, 2004 data.

When we evaluated the bank's lending performance, we placed equal emphasis on borrower and geographic distribution.

Loan-to-Deposit Ratio

ENB's loan-to-deposit ratio meets the standard for satisfactory performance. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area credit needs, and competition from other lending sources. During the last twenty-two quarters, the bank's average loan to deposit ratio was 68.86%, which is below the national peer average of 74.54%. This ratio is satisfactory when considering the bank's financial concerns, the changes in management during 2003, the changes in lending practices, and the fact that there was only one commercial lender until the fourth quarter of 2004. In addition, total deposits increased at a faster pace than gross loans in 2004 due to several CD promotions held in 2004.

Lending in Assessment Area

ENB meets the standards for satisfactory performance for lending in the AA. A majority of loan activities are in the assessment area. Based on the 2003 and 2004 data, 85% of the number, and 95% of the dollar amount, of total HMDA originations were within the bank's assessment area. During this same timeframe, 82% of the number, and 83% of the dollar amount, of total small business loans were within the assessment area. Overall, 83% of the number of total HMDA and small business loans and 85% of the dollar amount of total HMDA and small business loans were made within the assessment area.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	2	50.00	2	50.00	4	1,080	86.61	167	13.39	1,247
Home Improvement	0	0	0	0	0	0	0	0	0	0
Home Refinance	9	100	0	0	9	1,857	100	0	0	1,857
Total Real Estate	11	84.62	2	15.38	13	2,937	94.62	167	5.38	3,104
Small Business	42	82.35	9	17.65	51	12,685	83.43	2,520	16.57	15,205
Totals	53	82.81	11	17.19	64	15,622	85.32	2,687	14.68	18,309

Source: Based on all of 2003 data and January 1, 2004 through September 30, 2004 data; includes loans reported under HMDA and a review of all small business loans.

LENDING TO BUSINESSES OF DIFFERENT SIZES

ENB's lending to businesses of different sizes meets the standards for satisfactory performance. The bank's performance of lending to businesses of different sizes is reasonable compared to the area's demographics.

January 1, 2003 through December 31, 2003

ENB's percentage of business loans to small businesses exceeds the percentage of businesses in the AA that have recorded revenues of \$1 million or less. ENB originated 74% of its business loans to small businesses, which exceeds the 59% of small businesses within the assessment area.

To further evaluate small business lending activities, we considered the distribution by size of loan. The distribution by size of loan reflects that 45% of loan originations during the evaluation period were less than \$100,000, and 32% were between \$100,000 and \$250,000.

Table 2A - Borrower Distribution of Loans to Businesses/Farms in 2003		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	59.33%	4.68%
% of Bank Loans in AA by #	74.19%	25.81%
% of Bank Loans in AA by \$	72.18%	27.82%

Source: Based on all 2003 loans; Dunn and Bradstreet data.

*35.99% of AA businesses did not report revenue data

January 1, 2004 through September 30, 2004

ENB’s percentage of business loans to small businesses is near the percentage of businesses in the AA with revenues of \$1 million or less. ENB originated 57% of its small loans to small businesses, which is near the 60% of small businesses within the assessment area.

To further substantiate that business lending is primarily to small businesses, we considered the distribution by size of loan. The distribution by size of loan reflects that 13% of loan originations during the evaluation period were less than \$100,000 and 40% were between \$100,000 and \$250,000.

Table 2A - Borrower Distribution of Loans to Businesses/Farms as of 9/30/2004		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	60.48%	4.68%
% of Bank Loans in AA by #	56.67%	43.33%
% of Bank Loans in AA by \$	51.12%	48.87%

Source: Based on January 1, 2004 through September 30, 2004 loans; Dunn and Bradstreet data.

** 34.84% of AA businesses did not report revenue data*

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of business loans meets the standard for satisfactory performance. Based on ENB’s overall performance context, its geographic distribution of business loans is reasonable. We considered the following to reach this conclusion: the number of total small loans to businesses originated during the evaluation period, the size of the AA, the branch locations in relation to the low-and moderate-income census tracts, the number of businesses located in the low-and moderate-income census tracts closest to the bank’s locations, the strong competition from large local and regional banks within the AA, the market conditions, the changes in management, the fact that there was only one commercial lender until the fourth quarter of 2004, and the fact that ENB just started focusing on small business lending in 2003.

January 1, 2003 through December 31, 2003

The percentage of small loans to businesses in low-income geographies is near the percentage of businesses that are located in low-income geographies. The percentage of loans to businesses in moderate-income geographies is below the percentage of businesses that are located in those geographies. During 2003, ENB originated a total of 31 small loans to businesses within their AA. ENB originated 3 loans in a low-income area and 2 loans in a moderate-income area. Considering the total volume of loans originated and the number made to low- and moderate-income areas, the geographic distribution of small business loans is reasonable.

Table 3A - Geographic Distribution of Loans to Businesses in 2003								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	12.89	9.68	18.57	6.45	27.53	38.71	40.54	45.16

Source: All 2003 loans; data collected by bank; D and B data.

January 1, 2004 through September 30, 2004

The percentage of small loans to businesses in low- and moderate-income geographies is below the percentage of businesses that are located within these geographies. During 2004, ENB originated a total of 30 small loans to businesses within their AA. Only one was made in a low-income census tract and none were made in moderate-income census tracts.

Our analysis indicates that approximately 90% of the low-income tracts within the AA are located in Philadelphia and approximately 81% of the moderate-income tracts within the AA are located in Philadelphia, while the bank's two locations are located in Delaware County. Overall lending in the low-and moderate-income tracts in Philadelphia is competitive considering the number of large local and regional banks with offices located in Philadelphia.

The closest low- or moderate-income census tracts (CTs) to the bank's two locations are located on the border of Delaware County and Philadelphia. The closest moderate-income CT to the Lansdowne office is 4008.01. The closest low-income CTs are located in Philadelphia.

The closest moderate-income CT to the Upper Darby office is 0097.00, which is located in Philadelphia. There are only 9 businesses located within this census tract. The closest low-income CTs to this branch are located in Philadelphia. It is important to note that the moderate-income CTs are located within the area the Upper Darby Councilman indicated would be targeted for revitalization.

Table 3A - Geographic Distribution of Loans to Businesses as of 9/30/04								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	12.03	3.33	19.29	0	25.40	26.67	42.63	70%

Source: All January 1, 2004 through September 30, 2004 loans; data collected by bank; D and B data.

Responses to Complaints

The bank has not received any CRA-related consumer complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.