



PUBLIC DISCLOSURE

January 06, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Continental Bank
Charter Number 717996

661 West Germantown Pike, Plymouth Meeting, PA 19462

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303, Trevose, PA, 19503

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.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The primary factors supporting the institution's rating include:

- Continental Bank's (CB) loan-to deposit ratio is reasonable based on the institution's size, financial condition, and the credit needs of the Assessment Area (AA);
- CB originated the majority of its loans to borrowers within its assessment area;
- CB's borrower distribution reflects excellent penetration across borrower income-levels;
- CB's geographic distribution reflects reasonable dispersion across geographies throughout its assessment area;
- CB demonstrates excellent responsiveness to the community development needs in its assessment area.

Scope of Examination

Continental Bank (CB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The lending test for CB covers its performance from January 1, 2011 through September 30, 2013. The scope of the lending test included only HMDA reportable loans during the evaluation period. HMDA loans originated in 2011 were analyzed using the 2000 Census data while HMDA loans originated in 2012 and up to September 30, 2013 were analyzed using the 2010 Census data. The evaluation period for the CD test is from January 1, 2011 through January 6, 2014. CD loans, investments, and services submitted by management were verified to ensure that they met the regulatory definition for community development.

CB's primary loan product is 1-4 family residential mortgages. CB reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The reported HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate home mortgage performance.

Table 1 depicts the maximum income amount of the income range in the assessment area based on the HUD updated Median Family Income from 2000 and 2010 census respectively.

Table 1 - Definition of Income Ranges Used in the Evaluation					
Income Category	Maximum Income in for Income Range				HUD Updated Median Family Income (MFI) from 2000 and 2010 Census respectively
	Low	Moderate	Middle	Upper	
% Range of MFI	<50%	50%-<80%	80%-<120%	≥120%	
Philadelphia, PA Metropolitan Division #37964 AA	39,050	62,480	93,720	93,721	78,100
	38,200	61,120	91,680	91,681	76,400

Description of Institution

Table 2 depicts CB's balance sheet composition as of 9/30/2013.

Table 2: Major Components of Assets, Liabilities and Capital As of 9/30/2013		
Balance Sheet Component	Balance Sheet \$ Amount (000)'s	% of Total Assets
Loans	374,679	57.3%
1-4 Family Residential	132,225	20.2%
Commercial Real Estate	100,050	15.3%
Commercial & Industrial	84,751	12.9%
Multifamily Residential	42,955	6.6%
Consumer	6,531	1.0%
Investments	237,025	36.2%
Mortgage Backed Securities	139,013	21.2%
U.S. Agency Securities	35,346	5.4%
Cash	21,614	3.3%
Municipal Securities	10,265	1.5%
Total Assets	653,763	100.0%
Liabilities & Capital (LC)	653,763	% of Total LC
Deposits & Escrow	456,756	69.8%
Borrowings	120,117	18.3%
Total Liabilities	596,749	91.2%
Total Capital	57,014	8.7%

Source: September 30, 2013 Call Report

CB is a federally chartered stock thrift institution with total assets of \$653 million and tier one capital of \$61 million, as of September 30, 2013. The bank was established in 2005 and is headquartered in Plymouth Meeting, Pennsylvania. As of September 30, 2013, CB operates eleven full service offices located in Montgomery, Chester, and

Philadelphia counties and the main office, which is located in Montgomery County. All branch locations offer full service Automated Teller Machines (ATMs). All branches, with the exception of the Audubon branch, offer extended Friday hours. All branches, with the exception of the Devon, Plymouth Meeting, and Audubon branches, offer Saturday hours. CB opened one branch in Montgomery County during the evaluation period. No branches were closed or relocated during the evaluation period. Table 3 represents the branch distribution by census tract (CT) income category.

Table 3: Distribution of Branch Offices in the Assessment Area		
Census Tract Income Category	Branch Distribution	
	% of Branches	% of Deposits as of 12/31/13
Low	0%	0%
Moderate	0%	0%
Middle	27%	24%
Upper	73%	76%
Total #	11	\$457,029,471

Source: Bank provided deposit report by branch as of 12/31/13

CB’s loan products include residential loan products, consumer loan products, and commercial loan products. Residential loan products include loans for the purchase, refinance and construction of one-to four-family dwellings and multifamily dwellings. A variety of consumer loans, including home equity loans and lines of credit, automobile loans, and unsecured personal loans are also available. Commercial loan products include Commercial and Industrial loans and Commercial Real Estate loans.

As of September 30, 2013, net loans and leases totaled \$374 million or 57 percent of total assets. The loan portfolio is broken down as follows:

Table 4: Loan Portfolio Summary by Loan Product December 31, 2013		
Loan Category	Amount (\$000)	Percent of Total Loans
1-4 Family Residential	132,225	35%
Commercial Real Estate	100,050	27%
Commercial and Industrial	84,751	23%
Multifamily Residential	42,955	11%
Consumer/Other	14,698	4%
Total	374,679	100%

Source: September 30, 2013 Call Report

There were no financial or legal impediments to hinder CB’s ability to help meet the credit needs of its community. CB was rated “Satisfactory” at its last CRA Performance Evaluation dated December 31, 2010.

Description of Assessment Area(S)

CB’s assessment area is the Philadelphia Metropolitan Division # 37964.

Tables 5 summarizes the AA's demographics:

Table 5: Assessment Area Demographic Information								
Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	14.96%	147	17.9%	11.5%	25.3%	19.3%	83,010	67
Moderate	17.95%	161	19.8%	16.9%	24.2%	19.8%	144,523	61
Middle	29.51%	259	29.1%	30.3%	28.9%	28.0%	238,315	50
Upper	37.57%	296	32.9%	41.0%	21.3%	32.7%	392,130	42
NA	0.01%	15	0.03%	0.0%	0.08%	0.02%	21,848	54
Total #	825,848	878	1,458,187	880,761	439,609	1,212,609	242,422	52

Source: 2010 U.S. Census Data

The Philadelphia Metropolitan Division # 37964 is comprised of Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties. CB designated all the census tracts in Bucks, Montgomery, and Philadelphia Counties as well as portions of Chester and Delaware Counties as its AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. Of the 878 census tracts, 147 or 16.74% are low-income geographies, 161 or 18.34% are moderate-income geographies, 259 or 29.50% are middle-income geographies, and 296 or 33.71% are upper-income geographies.

The 2010 U. S. Census reported the total population of the AA at 3,508,752. Within the AA, there are 825,848 families and 1,320,370 households. There are 1,458,187 housing units, of which, 60.4% are owner-occupied, 30.1% are rental-occupied, and 9.5% are vacant housing units. Approximately 11.59% of owner-occupied housing is located in the low-income geographies, 16.99% is located in moderate-income geographies, 30.39% is located in middle-income geographies, and 41.02% is located in upper-income geographies. The median housing value is \$242,422.

The 2010 median family income was \$78,100, and the 2012 HUD updated median family income was \$76,400. Approximately 14.96% of the families are low-income, 17.95% are moderate-income, 29.51% are middle-income, and 37.57% are upper-income. Approximately 13% are below the poverty level.

According to the June 30, 2013 FDIC Summary of Deposit Market Share report, CB's deposit market share within the AA is 0.43%, ranking 31st out of 91 institutions in the AA. CB's primary competitors are: Wells Fargo, N.A. (156 offices, 21.45% market share), Citizens Bank of PA (159 offices, 14.69% market share), TD Bank, N.A. (88 offices, 11.16% market share), PNC Bank, N.A. (100 offices, 10.88% market share), Bank Of America, N.A. (63 offices, 5.87% market share), Sovereign Bank, N.A. (63 offices, 3.56% market share), Citibank, N.A. (9 offices, 2.25% market share), Beneficial Mutual Savings Bank (35 offices, 2.11% market share), and Susquehanna Bank (45 offices, 1.93% market share).

The economy is characterized as stable. The major employment sectors in the AA include federal, state and local government, education services, health care, telecommunications, professional & business services, and leisure and hospitality etc. The major employers in Bucks County are St. Mary Medical Center, Central Bucks School District, Giant Food Stores, and Bucks County. The major employers in Chester County are Vanguard Group, QVC Network, Siemens Medical Solutions USA, and the Federal Government. The major employers in Delaware County are The Boeing Company, Crozer-Chester Medical Center, Delaware County, and Villanova University. The major employers in Montgomery County are Schering Corporation, Abington Memorial Hospital, PA state government, Montgomery County and Main Line Hospitals. The major employers in Philadelphia County are the Federal Government, City of Philadelphia, University of Pennsylvania, School District of Philadelphia, and Children's Hospital of Philadelphia.

According to the November 2013 Bureau of Labor Statistics data, the unemployment rates for the counties within this AA: Bucks County is 6.2%, Chester County is 5.3%, Delaware County is 6.8%, Montgomery County is 5.7%, and Philadelphia County is 9.5%. The Pennsylvania state unemployment rate is 6.8%, and the national unemployment rate is 6.6%.

Conclusions with Respect to Performance Tests

LENDING TEST

CB's performance under the lending test is Satisfactory. CB's loan-to-deposit ratio is reasonable. The majority of CB's primary loan product is originated within the bank's AA. CB was found to have excellent penetration among borrowers of different income levels. CB's geographical distribution of loans was satisfactory.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

CB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, lending-related activities, and the credit needs of the AA. The bank's net loan-to-deposit ratio averaged 76.68 percent over the last 11 quarters since the previous CRA examination. This ratio ranged from a quarterly low of 71.73 percent to a quarterly high of 80.96 percent during the period.

CB's loan-to-deposit ratio is slightly less favorable compared to peer institutions. The average net loan-to-deposit ratio for the peer group of similar size and product offerings over the same timeframe was 81.51 percent. The peer ratio ranged from a quarterly low of 80.65 percent to a quarterly high of 82.36 percent during the period.

CB's below peer loan-to-deposit ratio is partially due to a lending restriction on certain commercial loan products as part of a Cease and Desist Order issued on February 28, 2011 by the Office of Thrift Supervision. The lending restriction was in place for the remainder of the evaluation period and was subsequently lifted on October 23, 2013.

Lending in Assessment Area

A majority of CB's primary loan products were originated within the bank's AA. Tables 6 and 7 detail the lending within the AA by number and dollar amount of loans. Fifty-six percent of the aggregated primary loan product by number was originated within the AA while sixty-one percent of the dollar volume was originated within the AA.

Tables 6 and 7 reflect the number, dollar amount, and percentage of loans originated inside and outside the AA:

Table 6: Concentration of Thrift Loans Originated In and Outside of the Assessment Area						
Loan Type	% Inside Area		% Outside Area		Total	
	#	\$(000)	#	\$(000)	#	\$(000)
Home Loans (HMDA)	1,332	\$300,698	1,035	\$193,735	2,367	\$494,433

Source: HMDA data 1/1/2011-9/30/2013

Table 7:	HMDA Loans	
	% of Loans	% of \$ Volume
Within AA	56%	61%
Outside AA	44%	39%
Total # / \$	2,367	\$494,433

Source: HMDA data 1/1/2011 – 9/30/2013

Lending to Borrowers of Different Incomes

The distribution of loan originated in the bank's AAs reflects an excellent penetration among individuals of different income levels. CB's record of lending to borrowers of different incomes exceeds the standard for satisfactory performance. The 2011 borrower income distribution analysis considers 2000 census information while the 2012-2013 borrower income distribution analysis considers 2010 census information.

2011 Home Loans to Borrowers of Different Incomes:

The distribution of home loans to borrowers reflects excellent penetration among individuals of different income levels. CB exceeds the peer aggregate ratio for lending to both low- and moderate-income borrowers. The percentage of HMDA loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The percentage of HMDA loans made to low-income families is near the percentage of low-income families in the AA.

Table 8 shows the distribution of HMDA loans among borrowers of different income levels for the period of January 1, 2011 through December 31, 2011, as compared to the percentage of families in each income category as well as the aggregate peer performance.

Table 8: Distribution of 2011 Bank HMDA Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	11.13%	5.40%	12.05%	7.62%
Moderate	28.36%	19.67%	21.21%	16.13%
Middle	26.89%	25.72%	32.43%	19.95%
Upper	32.56%	47.94%	34.31%	41.25%
N/A	1.05%	1.27%	0.0%	15.04%
Total # and \$	476	\$106,233	885,719	125,318

Source: HMDA data 1/1/2011-12/31/2011

2012 & 2013 Home Loans to Borrowers of Different Incomes:

The distribution of home loans to borrowers reflects excellent penetration among individuals of different income levels. CB exceeds the peer aggregate ratio for lending to both low- and moderate-income borrowers. The percentage of HMDA loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The percentage of HMDA loans made to low-income families is near the percentage of low-income families in the AA.

Table 9 shows the distribution of HMDA loans among borrowers of different income levels for the period of January 1, 2012 through September 30, 2013, as compared to the percentage of families in each income category as well as the aggregate peer performance.

Table 9: Distribution of 2012-2013 Bank HMDA Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	11.33%	6.02%	14.96%	6.96%
Moderate	22.43%	15.72%	17.95%	16.06%
Middle	26.87%	25.01%	29.51%	20.97%
Upper	33.18%	44.94%	37.57%	42.53%
N/A	6.19%	8.31%	0.01%	13.48%
Total # and \$	856	\$194,465	825,848	145,381

Source: HMDA data 1/1/2012-9/30/2013

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the bank’s AA during the evaluation period and meets the standard for satisfactory performance. The 2011 geographic distribution analysis considers 2000 Census information while the 2012-2013 geographic distribution analysis considers 2010 Census information.

2011 Geographic Distribution of Home Loans:

The bank’s geographic distribution of HMDA loans in this AA reflects reasonable dispersion throughout the low and moderate-income CTs. The percent of HMDA loans in low and moderate-income CTs is below the percent of owner-occupied housing in these geographies. However, the percent of HMDA loans in low and moderate-income CTs is near the peer aggregate ratio in these geographies.

Table 10 details the bank’s performance as compared to the percentage of owner-occupied housing units in each CTs income level and aggregate peer.

Table 10: Distribution of 2011 Bank HMDA Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	1.47%	0.96%	9.51%	3.47%
Moderate	12.18%	7.74%	19.90%	13.15%
Middle	42.65%	33.18%	33.41%	31.95%
Upper	43.70%	58.12%	37.18%	51.40%
NA	0.00%	0.00%	0.00%	0.02%
Total # and \$	476	\$106,233	910,519	125,318

Source: HMDA data 1/1/2011-12/31/2011

2012-2013 Geographic Distribution of Home Loans:

The bank’s geographic distribution of HMDA loans in this AA reflects reasonable dispersion throughout the low and moderate-income CTs. The percent of HMDA loans in low and moderate-income CTs is below the percent of owner-occupied housing in these geographies. However, the percent of HMDA loans in low and moderate-income CTs is near the peer aggregate ratio in these geographies.

Table 11 details the bank’s performance as compared to the percentage of owner-occupied housing units in each CTs income level and aggregate peer.

Table 11: Distribution of 2012 & 2013 Bank HMDA Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	2.22%	1.16%	11.59%	4.47%
Moderate	9.46%	6.78%	16.99%	11.08%
Middle	39.02%	34.13%	30.39%	30.61%
Upper	49.18%	57.87%	41.02%	53.80%
NA	0.12%	0.05%	0.00%	0.04%
Total # and \$	856	\$194,465	880,761	145,381

Source: HMDA data 1/1/2012-9/30/2013

Responses to Complaints

During this evaluation period there were no complaints pertaining to the bank's performance in meeting the credit needs of the AA.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Outstanding. CB's community development activities demonstrate excellent responsiveness to the community development needs of its AA, when considering the bank's capacity, performance context, and the availability of community development opportunities in the bank's AAs. Qualified investments and loans total approximately \$18.6 million or 30% of CB's tier 1 capital.

Number and Amount of Community Development Loans

The bank originated 18 community development loans in the AA totaling \$10.9 million during the evaluation period. Community development loans were distributed among various projects including community service programs and affordable housing project financing.

Number and Amount of Qualified Investments

CB made 51 qualified contributions in the AA totaling \$105 thousand during the evaluation period. Contributions were made to various organizations from both CB and the CB Foundation, which is an affiliated charitable foundation. CB also made 15 qualified investments totaling approximately \$7.5 million during the evaluation period. Investment consisted of Small Business Administration (SBA) issued investments including Small Business Investment Company (SBIC) investments and SBA Development Company investments. Only the portions of the investments that benefit the broader statewide or regional area, including CB's AA, were qualified.

Table 12 shows the total volume of CD investment and loan activity.

Table 12: Qualified Community Development Investments, Loans, Contributions & Sponsorships		
Organization	Instrument or Activity	Amount (000)
Various	CB Community Development Contributions	\$24
Various	CB Foundation Community Development Contributions	\$81
SBA	SBA Issued Investments	\$7,567
Total Investments		\$7,672
Various	Community Development Loans	\$10,987
Total Loans, Contributions & Investments		\$18,659

Extent to Which the Bank Provides Community Development Services

During the evaluation period, thirteen CB board members, officers, and employees provided technical services and support to twelve qualified community development organizations. In addition, various officers and employees provided 8 community development related seminars including home buyer seminars, a financial literacy seminar, identity theft seminars, and a small business finance seminar.

Responsiveness to Community Development Needs

CB's community development activities, as a whole, demonstrate excellent responsiveness to the community development needs of the AA, when considering the bank's capacity, its performance context, and the availability of community development opportunities in the AA.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.