

Large Bank

Public Disclosure

September 27, 1999

Community Reinvestment Act Performance Evaluation

**Phillipsburg National Bank and Trust Company
Charter Number: 1239**

**115 South Main Street
Phillipsburg, New Jersey 08865-2894**

Office of the Comptroller of the Currency

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NOTE: This evaluation is not, and should not 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.

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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 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 CRA performance of **Phillipsburg National Bank and Trust Company** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **September 27, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate- Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) -Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review- Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography- A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Limited-Scope Review Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income- Income levels that are less than 50% of the median family income.

Median Family Income (MFI) The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income -Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income -Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital- The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income- Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution's CRA Rating: This institution is rated **"Satisfactory."**

The following table indicates the performance level of **Phillipsburg National Bank and Trust Company** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Phillipsburg National Bank and Trust Company Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- An excellent percentage of HMDA, small business, and small farm loans granted within the Assessment Area (AA).
- Excellent performance as the leader in home improvement lending, home mortgage refinancing, and small business lending in moderate-income geographies.
- Excellent performance as the leader in home improvement lending to low- and moderate-income borrowers and small farm lending.
- Excellent performance as a top-ten lender for home purchase loans in moderate-income geographies.
- Excellent performance in home mortgage refinancing for moderate-income borrowers and good performance for low-income borrowers.
- An adequate level of qualified community development investments.
- Service delivery systems that are readily accessible to geographies and

individuals of different income levels in the AA.

- A good level of community development services.
- A good level of lending to small businesses and small farms.

Description of Institution

Phillipsburg National Bank (PNB) is a full service intrastate bank headquartered in Phillipsburg, New Jersey. Total assets were \$442 million and Tier 1 capital was \$33 million as of June 30, 1999. The net loan portfolio accounted for 59% of total assets on the same date. PNB's business philosophy is retail-oriented and focuses on consumer and small business lending. Marketing efforts emphasize variety, quality, and convenience of services and products provided by the local community bank. The loan portfolio consists of 82% real estate loans, 9% commercial loans, and 9% consumer loans. PNB operates nine full-service banking offices, all with drive-up facilities and most with automated teller machines (ATMs). These banking offices are located in Warren and Hunterdon Counties of New Jersey. PNB has no subsidiaries.

PNB is a subsidiary of Vista Bancorp, Inc. (VBI), a multi-bank holding company headquartered in Phillipsburg, New Jersey. VBI, formed in 1988, is also the parent holding company of Twin Rivers Community Bank, located in Palmer Township, Northampton County of Pennsylvania. VBI's assets totaled \$593 million on December 31, 1998. Additional information regarding VBI may be obtained from its website, www.vistabancorp.com. This site is informational and no transactions may be processed as of this writing.

PNB's evaluation includes investment activities of its holding company and affiliate bank. PNB has no banking subsidiaries.

There were no merger and acquisition activities that impacted the scope of PNB's operations during the evaluation period.

PNB's business strategy includes contributing to the support and development of communities in the bank's market by addressing social issues, enhancing the quality of life, and actively participating in worthwhile community activities.

PNB's lending concentrates on commercial, consumer, and residential mortgage loans to borrowers within its AA. A Small Business Administration (SBA) loan program was added in 1998, as well as a brokered mortgage program for the sale of residential loans into the secondary market. Product offerings were expanded in 1998 to accommodate conforming and non-conforming mortgage requests. The mortgage department's focus is on building a strong referral network and selling directly to FNMA. There are no financial or legal impediments to prevent PNB from

helping to meet the credit needs of its AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

PNB was last evaluated for CRA on December 8, 1997 and was rated "Satisfactory." The prior evaluation period for housing-related (HMDA) lending was from July 1, 1995 to August 31, 1997. The current evaluation period for housing-related (HMDA) lending is from January 1, 1997 through December 31, 1998, which constitutes an eight-month overlap of data. Small business and community development lending for the current evaluation period were also evaluated. The evaluation period for the investment test was December 9, 1997 to September 27, 1999. A \$16 thousand investment of PNB's holding company, VBI, and a \$500 thousand investment of PNB's affiliate bank, Twin Rivers Community Bank, were considered in this evaluation. Twin Rivers Community Bank did not include this investment in its CRA review.

Selection of Areas for Full-Scope Review

PNB's AA received a full-scope review. This area represents the entire market in which PNB operates. Refer to Appendix B for a description of the AA, which consists of Hunterdon and Warren Counties of New Jersey and a contiguous portion of Northampton County of Pennsylvania.

Ratings

PNB's overall rating is based on its performance in one AA. Equal weight was given to home mortgage, small business, small farm, and community development loans in determining the institution's overall CRA rating. Recent investments were given more weight than continuing investments.

Other

Our contact with a local downtown revitalization group and a housing organization indicates that Community credit needs consist of small business lending, housing loans, and automobile loans. Both groups stated that PNB actively seeks involvement in projects with community development purposes. We also determined through these contacts and our internal research that there are limited opportunities for community development investments in Warren and Hunterdon Counties.

Fair Lending Review

The fair lending review consisted of using the combined approach. This approach is used to determine if potential discrimination has occurred in the underwriting process and/or in loan terms. All approved and denied applications for home purchases were reviewed for the period from January 1, 1999 to June 30, 1999. The reviewer's objective was to identify whether or not there were any differences in underwriting terms or approval criteria based on a prohibited basis other than race, such as marital status. The reviewer detected no indicators of disparate treatment in the PNB's approval or underwriting standards. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. The reviewer found PNB's policies, practices, programs, and training to be satisfactory, with no deficiencies noted or recommendations made.

Conclusions with Respect to Performance Tests

LENDING TEST

Lending Activity

Refer to Table 1 in Appendix C for the data supporting this section. PNB's performance under the lending test is rated outstanding. Based on the full-scope review, PNB's performance in its AA is excellent. Lending levels indicate a good responsiveness to the credit needs of the community. Management's lending focus is residential real estate loans (HMDA reportable loans), small business loans, and loans to individuals (consumer loans). PNB's reported lending consists of 646 HMDA loans totaling \$39 million, 335 small business loans totaling \$30 million, and 5 farm loans totaling \$578 thousand. PNB's quarterly average loan to deposit ratio for the eight-quarter period from September 30, 1997 to June 30, 1999 is 65%. PNB ranks 11th of 450 lenders and has a market share of 2% for HMDA reportable loans in its AA. The leader is a mortgage company that holds a 7% market share.

PNB is effectively competing with national and local banks, national and local mortgage companies, and local credit unions. The paragraphs and tables that follow more fully describe PNB's performance and activities within its AA.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in Appendix C for data supporting the geographic distribution of PNB's home mortgage loans. PNB's level of HMDA lending within moderate-income tracts is excellent and there are no conspicuous gaps in its lending activities. The 1998 HMDA reports indicate that PNB is the leader of 157 lenders in moderate-income tracts within its AA. PNB has an 11% market share compared to its market share of 2% for all areas. Strong HMDA performance in moderate-income geographies is attributable to home improvement and home mortgage refinance loans.

PNB is involved in business arrangements with correspondent banks that decision and purchase PNB's home purchase applications. PNB began this activity in May of 1998. There are approximately 80 loans totaling \$9.5 million under these arrangements, of which \$1.5 million were sold in 1998 and \$8 million were sold thus far in 1999. Although PNB accepted applications for these loans, they were decisioned and funded by the correspondent banks. These arrangements reduce the number of applications and originations that may have been reported as home purchases on PNB's HMDA register.

Table 2 in Appendix C indicates that 31% of the PNB's home purchase loan originations were in moderate-income geographies while only 7% of owner-occupied housing units are located in moderate-income geographies.

Tables 3 and 4 in Appendix C indicate that the percentage of home improvement and home purchase refinance loans originated by PNB in moderate-income geographies significantly exceeds the percentage of owner occupied housing units in those geographies.

Small Business Loans

Table 5 in Appendix C provides the geographic distribution of PNB's small business lending. PNB's level of small business lending within its AA is excellent. Table 5 indicates that 28% of the number of small business loans were granted in moderate-income geographies, while only 9% of small businesses are located in moderate-income geographies. Of 76 lenders, PNB is the leader for small business lending in moderate-income geographies with a 20% market share compared to an overall market share of 6%.

Small Farm Loans

Table 6 in Appendix C shows the geographic distribution of PNB's small farm loans. PNB's level of farm lending within its AA is excellent. Table 6 indicates that all farm loans were originated in middle-income geographies, which is where the majority of small farms are located in the AA. Of nine lenders PNB is the leader for small farm lending with a 31% market share, which equals its overall market share.

Assessment Area Concentrations

A substantial majority of PNB's HMDA, small business, and small farm lending is within its AA, as is depicted in the following table:

LENDING IN ASSESSMENT AREA				
HMDA LOANS				
Location	# of Loans	Percent	\$ Amount	Percent
Inside AA	646	87	39,291	81
Outside AA	95	13	9,071	19
Total	741	100	48,362	100
SMALL BUSINESS LOANS				
Inside AA	335	93	30,082	90
Outside AA	26	7	3,206	10
Total	361	100	33,288	100
SMALL FARM LOANS				
Inside AA	5	100	578	100
Outside AA	0	0	0	0
Total	5	100	578	100

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 7, 8, and 9 in Appendix C for data supporting the distribution of HMDA loans by income level of the borrower. PNB's level of HMDA lending to LMI borrowers is excellent. PNB's market share of lending to low- and moderate-income borrowers exceeds its overall market share for all product types. The percentage of loans granted to low- and moderate-income borrowers is commensurate with the percentage of low- and moderate-income families.

Of 27 lenders, PNB is the leader in home improvement lending to low-income borrowers in the AA and has a 23% market share. Of 49 lenders, PNB is the leader in home improvement lending to moderate-income borrowers in the AA with a 23% market share. PNB's overall market share is 15%.

PNB ranks second of 156 lenders and has a 5% market share for all HMDA loans to low-income borrowers. PNB is a strong performer ranked seventh of 109 lenders for home mortgage refinancing for low-income borrowers. PNB ranks fourth of 230 lenders and has a 4% market share for HMDA loans to moderate-income borrowers.

Small Business Loans

PNB's lending to small businesses is excellent. See Table 10 in Appendix C for data supporting the borrower distribution of small business loan originations. Table 10 indicates that 84% of PNB's reported small business loans granted were to small businesses, i.e., those with revenues of \$1,000,000 or less. This percentage exceeds the percentage of small businesses and market loans in the AA at 77% and 59%, respectively. PNB's market share of loans to small businesses also exceeds its market share for small business loans. The table also shows that 89% of small business loans were granted for \$100,000 or less.

Small Farm Loans

PNB's lending to small farms is excellent. See Table 11 in Appendix C for data supporting the borrower distribution of small farm loan originations. Table 11 in Appendix C indicates that 100% of PNB's reported farm lending was to small farms, which well exceeds the percentage of market loans to small farms in the AA and the percentage of small farms located in the AA. Sixty percent of small farm loans were in original amounts of \$100,000 or less. Of nine lenders, PNB is the leader in small farm lending with 31% of the AA's market share.

Community Development Lending

PNB has not made any community development loans. However, loans with community development purposes have been reported elsewhere in this Performance Evaluation under home mortgage or small business loans. These loans were to help create employment for LMI individuals or to help stabilize or revitalize LMI geographies, primarily in downtown Phillipsburg.

Product Innovation and Flexibility

PNB has a First Time Home Buyer residential mortgage loan program that began in 1995. Its target market is LMI individuals. For the review period, PNB originated 23 loans totaling \$2,504,350 for an average loan value of \$108,885. Twenty-three percent of PNB's 1997-1998 home purchase loan originations were under this program.

PNB also participates in the Stafford Student Loan Program. These loans offer low interest rates and no repayment until six months after graduation or leaving school. For the review period, PNB originated 266 loans totaling \$360,294. These loans were processed and disbursed by Nellie Mae; however applications were furnished by PNB.

INVESTMENT TEST

PNB's performance under the Investment Test is low satisfactory based on four investments totaling \$668 thousand. We determined through our community

contacts and our internal research that there are limited community development investment opportunities in Warren and Hunterdon Counties. Our internal research determined that community development investment opportunities in the AA consist of the USDA Rural Development State Office, three SBA Certified Development Companies (CDCs), and two statewide Small Business Investment Companies (SBIC's). However, there is strong competition for qualified investments from larger banks in the AA. There were no bond or equity investment opportunities indicated by internal research. Refer to Table 12 in Appendix C for data supporting PNB's level of qualified investments. Management chose to include the investments of its affiliate, Twin Rivers Community Bank, and its holding company, VBI, in this test. Twin Rivers Community Bank did not include these investments in its CRA evaluation.

The following paragraphs describe PNB's community development investments, which are not necessarily innovative, but do respond favorably to the credit needs of the AA.

PNB invested \$100,000 and Twin Rivers Community Bank invested \$500,000 in a loan fund that was established to assist business owners in expanding, renovating, or relocating into Easton, Pennsylvania in order to revitalize and stabilize the area, which is a designated economic enterprise zone. These are prior period investments. The \$500,000 investment was not included in Twin Rivers Community Bank's CRA evaluation.

PNB's holding company, VBI, established a foundation to grant monies for community development programs that revitalize communities and enrich people's lives. VBI has made a firm commitment to provide corporate leadership and funding to encourage community enhancement programs at the grass roots level through the foundation. The primary focus of the foundation is to provide grants to community-based organizations engaged in community development and revitalization activities. Grants of up to \$2,500 are available to applicants. These are current period investments. VBI committed \$50,000 to the foundation, of which \$23,500 has been granted. We determined that \$16,000 of these grants meets the definition of community development.

Examples of the types of community projects that the foundation supports include: funding organizations that provide financial services to low-and moderate-income individuals such as credit and home ownership counseling, municipal programs such as façade restoration to revitalize and/or stabilize communities, and rehabilitation of one-to-four-family and multi-unit properties to provide affordable housing for low-and moderate-income families. Applicants must submit a grant application to the Foundation's Trustees describing in detail the intended purpose of the grant request for funds. All qualified applicants are personally interviewed prior to grant approval.

As of August 1999 the foundation has provided qualified grants of \$16,000. The

following table details these grants.

Purpose	\$ Amount
Grant to a housing corporation that rehabilitated affordable housing for low- and moderate-income families	2,500
Grant to a housing corporation for defraying costs associated with the purchase of affordable housing for low- and moderate-income families.	2,500
Grant to a community education workshop program created to assist low-income individuals in overcoming obstacles to self-sufficiency.	2,500
Grant to a community program matching individual development funds for low-income individuals overcoming obstacles to self-sufficiency.	2,500
Grant to subsidize scholarship funds for assisted childcare for low-income families.	2,000
Grant to a community group to subsidize the Home Ownership Counseling Program	2,500
Grant to upgrade existing computer equipment for a predominantly low-income clientele.	1,500
Total	16,000

In June of 1997 PNB made a \$50,000 investment to a loan fund whose mission is to increase the flow of capital to viable, community-based, housing and economic development activities that help to build economic self-sufficiency for low-income people and strengthen low-income communities. This is a prior period investment.

Other grants and donations of \$2,350 represent various contributions to nearly a dozen organizations supporting community development activities essential to LMI individuals and/or geographies. These are current period investments.

SERVICE TEST

PNB's performance under the Service Test is rated high satisfactory.

Retail Banking Services

PNB's service delivery systems are readily accessibility to geographies and individuals of different income levels within the AA. PNB's nine offices are located throughout the AA as scheduled in Table 13 of Appendix C. The table shows that 22% of branches and ATMs are located in moderate-income geographies while only 10% of the population reside in moderate-income geographies. All offices have a drive-up window. All offices except the main office have an ATM. Additionally, a stand alone ATM was added during the review period and is located in a moderate-income geography.

One branch was closed during this evaluation period. This branch was located inside the Phillipsburg Mall. The mall was renovated, causing the branch to close. There is another branch located in the parking lot of the mall. No adverse affect resulted from the closure.

PNB offers extended service hours, including Saturday hours at all offices except

the main office. The main office is located in the downtown area in a moderate-income census tract. The area is experiencing some business difficulties with vacant and boarded up buildings and there is minimal activity in this area on Saturdays. PNB provides Saturday hours at two branch locations within approximately one mile of the downtown area. All branches offer full banking services. Services include a wide variety of loan and deposit products, as well as trust services. PNB also offers 24-hour telephone banking for account inquiries and fund transfers. Banking by mail is also offered. No significant weight was placed on these alternative delivery systems because management did not provide data to show that low- and moderate-incomes or geographies and individuals benefit from these services.

Community Development Services

PNB provides a good level of community development services. Several members of bank management and staff employees participate in providing technical and administrative assistance to five community groups, through six community development services. Additionally, PNB offers a low-cost checking account that is affordable for low-and moderate-income customers. Primary services include providing standard financial services, credit counseling, and technical assistance on financial matters.

PNB provides servicing of the Phillipsburg Small Cities Community Economic Development Revolving Loan Program at no charge. This program provides small business loans at below market rates to organizations in the AA that provide job creation or stabilization. As monies are repaid, they are then available for further lending. No other bank in the AA provides this type of service. By absorbing the cost, PNB helps the program by freeing those funds. PNB serviced 19 loans in this program during the previous review period. PNB services 24 loans in this program during the current review period. PNB assists with loan analyses and provides credit reports at no charge.

A member of PNB's management serves on the above program's credit committee.

Also, three members of bank management serve on the boards of directors of the Phillipsburg Urban Enterprise Zone, the Northwest New Jersey Community Action Program, and Warren County's Habitat for Humanity; and on Warren County's Human Services Advisory Council. All of these organizations predominantly serve moderate-income geographies and low- and moderate-income individuals.

PNB offers a low-cost personal checking account, Value Plus. Although offered to all depositors, its low cost is advantageous to LMI customers.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term "Full-Scope") and those that received a less comprehensive review (designated by the term "Limited-Scope").

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: December 9, 1997 to September 27, 1999 Service Test: December 9, 1997 to September 27, 1999	
Financial Institution	Products Reviewed	
Phillipsburg National Bank and Trust Company (PNB) Phillipsburg, New Jersey	HMDA, Small Business, Small Farm, and Community Development Loans Investments Services	
Affiliate(s)	Affiliate Relationship Products Reviewed	
Vista Bancorp, Inc. (VBI)	Parent Holding Company Investments	
Twin Rivers Community Bank	Affiliate Investments	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam Other Information	
Middlesex-Somerset-Hunterdon PMSA #5015 - Hunterdon County of New Jersey, Newark PMSA #5640 - Warren County of New Jersey, and a small portion of Northampton County of Pennsylvania	Full-Scope	Hunterdon and Warren Counties of New Jersey are contiguous with the small portion of Northampton County of Pennsylvania.

Appendix B: Market Profile of the Assessment Area

Contiguous area of Hunterdon and Warren Counties of New Jersey and a portion of Northampton County of Pennsylvania						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	61	0	12	67	16	5
Population by Geography	259,909	0	10	64	26	0
Owner-Occupied Housing by Geography	69,526	0	7	65	28	0
Businesses by Geography	12,584	0	9	72	19	0
Farms by Geography	707	0	1	78	21	0
Family Distribution by Income Level	70,071	15	19	28	38	0

Distribution of Low- and Moderate-Income Families throughout AA Geographies	24,211	0	16	68	16	0
Median Family Income	= \$51,248	Median Housing Value	= \$161,628			
HUD Adjusted Median Family Income for 1998	= \$66,524	Unemployment Rate (August, 1999)	= 2.0%			
Households Below the Poverty Level	= 05.2%					

Source: 1990 U.S. Census and 1998 HUD updated MFI.

PNB's AA consists of Hunterdon County (part of the Middlesex-Somerset-Hunterdon PMSA of New Jersey) and Warren County (part of the Newark PMSA of New Jersey), which are part of the New York/New Jersey CMSA; and portions of Northampton County (part of the Allentown-Bethlehem MSA of Pennsylvania). The portion of Northampton County of Pennsylvania that is included in the AA lies immediately across the river from Phillipsburg. This area is comprised of the towns of Easton, Forks, Wilson, Palmer, and Williams, a total of 15 census tracts of 62 in the county (24%), 15 of 144 census tracts in the MSA (10%), and 60,526 of 595,081 persons in the MSA (10%). Although PNB has no branches in Pennsylvania, bank branches are located on the New Jersey side of the border area. The AA does not go substantially beyond the state line so as to meet regulatory guidelines. The AA does not arbitrarily exclude any low- and moderate-income (LMI) areas.

The AA contains 61 census tracts (CTs) and the population is 259,909. The average median year built for housing is 1959. Housing stock in the AA is 69% owner occupied, 25% rental occupied, and 6% vacant. One- to four-family units comprise 88% of housing units in the AA. Notably, the median housing value is 243% of the adjusted median family income for 1998. The adjusted median family income is 41% of the median housing value.

PNB's market share of deposits within Warren County is 22.79%, ranking first of 13 FDIC-insured institutions with offices in Warren County. PNB's market share of deposits within Hunterdon County is 2.92%, ranking 10th of 16 FDIC-insured institutions with offices in Hunterdon County. Banking competition in both counties is very strong as there are local and national banks as well as competition from mortgage companies, thrifts, credit unions, and other non-banks providing financial services. The most notable banking competitors are First Union National Bank, Sovereign National Bank, Summit Bank, United National Bank, Commerce Bank, Little Falls Bank, Advantage Bank, and First Community Bank.

The majority of businesses in the AA has annual revenues of less than or equal to \$1,000,000. Of the 12,584 non-farm businesses in the AA, 9,636 (77%) fall into this category.

Service industries comprise 28% of the employment in the AA, followed by 25% manufacturing and 21% retail trade. Service industry employment increased 12% from 1993 to 1996 while manufacturing employment decreased by 5% and retail trade employment increased by 5% during the same time period. Major employers

in Warren County are M & M Mars, Centenary College, Hackettstown Community Hospital, Roche Vitamins, Inc., and Warren Hospital. Major employers in Hunterdon County are Foster Wheeler Corporation, Merck & Company, Inc., Hunterdon Developmental Center, and Hunterdon Medical Center.

The seasonally adjusted unemployment rate for the State of New Jersey was 4.7% as of August of 1999, up from 4.6% as of August of 1998. The unemployment rate (not seasonally adjusted) for the Newark PMSA was 4.6%, up from 4.3% for August 1998. The unemployment rate (not seasonally adjusted) for the Middlesex-Somerset-Hunterdon PMSA was 3.5%, up from 3.3% for August 1998. The national rate for August 1999 is 4.2%, down from 4.5% for August 1998.

Warren County is the second least densely populated county in the state, and is projected to remain so at 2005. Phillipsburg's population remains stable and is still the county's largest municipality. Employment growth in Warren County is projected to mirror that of the state overall. Most growth is expected to be in the retail sales and service sectors due to the increasing population. Manufactured and durable goods-producing employment, which includes construction, is expected to be flat at best, or decline.

Hunterdon County's population growth rate of 10.1% far exceeds the state's 3.3% and is second only to Somerset County's 12.3%. Growth has been propelled by improvements in infrastructure, such as Interstate 78 and Route 202. Population growth is expected continue as strong, increasing 20% by 2005.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the "bank" include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

Table 1. Lending Volume Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.

Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations Compares the percentage distribution of the number of loans originated

by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations
- See Table 2.

Table 4. Geographic Distribution of HMDA Refinance Loan Originations
See Table 2.

Table 5. Geographic Distribution of Small Business Loan Originations
The percentage distribution of the number of small loans (< \$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 6. Geographic Distribution of Small Farm Loan Originations
The percentage distribution of the number of small loans (< \$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations
Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations
See Table 7.

Table 9. Borrower Distribution of HMDA Refinance Loan Originations
See Table 7.

Table 10. Borrower Distribution of Small Business Loan Originations
Compares the percentage distribution of the number of small loans (< \$1 million) originated by the bank to businesses with revenues of \$1 million or less

to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 11. Borrower Distribution of Small Farm Loan Originations Compares the percentage distribution of the number of small loans (< \$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 12. Qualified Investments Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.

Table 13. Distribution of Branch and ATM Delivery System Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

Table 1. Lending Volume

LENDING VOLUME State: New Jersey Evaluation Period: January 1, 1997 to December									
MSA /Assessment Area	% of Total bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farms		Community Dev	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	
Full Scope:									
PNB Assessment Area	100%	646	39,291	335	30,082	5	578	0	

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE State: New Jersey Evaluation Period: January 1, 1997 to											
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low
Full Scope:											
PNB Assessment Area	0%	0%	7%	31%	65%	51%	28%	18	30	1%	N/A

(*) Based on 1998 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT State: New Jersey Evaluation Period: January 1, 1997 to											
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low
Full Scope:											
PNB Assessment Area	0%	0%	7%	26%	65%	64%	28%	10%	1	15%	N/A

(*) Based on 1998 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE State: New Jersey Evaluation Period: January 1, 1997 to											
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low
Full Scope:											
PNB Assessment Area	0%	0%	7%	22%	65%	62%	28%	16%	15	2%	N/A

(*) Based on 1998 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS State: New Jersey Evaluation Period: January 1, 1997 to											
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market	
	% of Business es	% BANK Loans	% of Busines ses	% BANK Loans	% of Business es	% BANK Loans	% of Busines ses	% BANK Loans		Overall	Low
Full Scope:											
PNB Assessment Area	0%	0%	9%	28%	72%	62%	19%	10%	5	6%	N/A

(*) Based on 1998 Aggregate Small Business Data only.

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Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM State: New Jersey Evaluation Period: January 1, 1997 to D											
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low
Full Scope:											
PNB Assessment Area	0%	0%	1%	0%	78%	100%	21%	0%	1	31%	N/A

(*) Based on 1998 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE State: New Jersey Evaluation Period: January 1, 199											
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Sha	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low
Full Scope:											
PNB Assessment Area	15%	12%	19%	30%	28%	26%	38%	31%	30	1%	1%

(*) As a percentage of loans with borrower income information available. No information was available for 1% of loans originated by BANK.

(**) Based on 1998 Aggregate HMDA Data only.

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Table 8. Borrower Distribution of Home Improvement Loan Originations

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- (*) As a percentage of businesses with known revenues.
- (**) As a percentage of loans with revenue information available. No information was available for 0% of loans originated by BANK.
- (***) The market consists of all other Small Business reporters in BANK's assessment area and is based on 1998 Aggregate Small Business Data only.
- (****) Based on 1998 Aggregate Small Business Data only.

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Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM State: New Jersey Evaluation Period: January 1, 1997 to De								
MSA /Assessment Area	Farm with Revenues of \$1 million or less			Loans by Original Amount regardless of Farm Size			Market Share****	
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev millio le
Full Scope:								
PNB Assessment Area	94%	100%	43%	60%	20%	20%	31%	57

- (*) As a percentage of Farms with known revenues.
- (**) As a percentage of loans with revenue information available. No information was available for 0% of loans originated by BANK.
- (***) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1998 Aggregate Small Farm Data only.
- (****) Based on 1998 Aggregate Small Farm Data only.

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Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: New Jersey Evaluation Period: December 9, 1997 to Septe						
MSA /Assessment Area	Prior Period Investments*			Current Period Investments		
	#	\$(000's)	%**	#	\$(000's)	%**
Full Scope:						
PNB Assessment Area	2	650	97	2	18	3

- (*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.
- (**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

