Ephrata National Bank

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Ephrata National Bank Reports Third Quarter 2006 Results

(October 18, 2006) -- Ephrata, PA -- Ephrata National Bank's net income for the third quarter of 2006 was $244,000, an 85% decrease from the $1,622,000 earned during the third quarter of 2005. Net income for the nine months ended September 30, 2006, was $3,468,000, a 32% decrease from the $5,094,000 earned during the same period in 2005. Earnings per share for the third quarter of 2006 were $0.09 compared to $0.55 for the same period in 2005. Year-to-date earnings per share decreased from $1.73 in 2005 to $1.13 in 2006.

Two major items impacted the Bank's third quarter earnings. The Bank charged off a significant commercial loan balance in the third quarter, requiring a substantial increase to the provision for loan losses. The total provision for the third quarter of 2006 was $964,000 compared to $90,000 in the same period of 2005. The Bank also recognized $771,000 of impairment on US agency preferred stock held in the Bank's securities portfolio. The market value of the preferred stock has been below face value for more than a year and accounting regulations require that the Bank recognize impairment if the decline in value is other than temporary. Impairment was recorded as a loss on securities, even though the security is still being held in the portfolio.

Aside from these two unusual events, the Bank earnings continue to be weakened as a result of a flat yield curve. Net interest income for the third quarter of 2006 decreased $5,000 compared to the same period last year. Year-to-date net interest income increased $46,000 or 0.3%. Higher short-term interest rates continue to increase the Bank's cost of funds while the flat yield curve limited increases on the yields of the Bank's fixed rate loans and securities.

Non-interest income, excluding the gain or loss on the sale of securities and mortgages, increased $168,000, or 21.7%, for the quarter ending September 30, 2006 compared to the same period of 2005. Non-interest income reflected a $251,000, or 9.2%, increase for the nine months ending September 30, 2006. Contributing to the increase in income for both the third quarter and year-to-date 2006 periods were higher overdraft fees, letters of credit, and check card exchange commission, all of which are based on transaction volume. In second quarter of 2006, the Bank purchased additional bank-owned life insurance (BOLI), which has added income of $54,000 for the third quarter and $73,000 year-to-date.

Operating expenses for the third quarter of 2006 increased $338,000, or 9.8%, over the third quarter of 2005. Year-to-date operating expenses were up $926,000, or 9.0 %. Personnel costs, the Bank's largest operating expense, showed a 10.9%, or $208,000, increase for the third quarter of 2006 and a 11.6%, or $660,000, increase for the first nine months of 2006, compared to the same respective periods of 2005. The increases resulted from additional staffing for a new branch office and loan department operational expansion. Premises and equipment expense increased $35,000, or 8.0%, for the quarter ended September 30, 2006, and $112,000, or 8.7%, for the first nine months of 2006

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compared to the same periods in 2005. These increases were the result of higher depreciation, real estate taxes, utility expenses and equipment service contracts. Other operating expenses increased by $94,000, or 8.5%, for the third quarter and $154,000, or 4.6%, for the first nine months of 2006, compared to the same periods of 2005.

Ephrata National's annualized return on average assets (ROA) and return on average stockholders' equity (ROE) for the third quarter of 2006 were 0.16% and 1.52% respectively, compared with 1.16% and 9.79% for the third quarter of 2005. For the first nine months of 2006, the annualized ROA was .79% compared to 1.25% for 2005, while ROE was 7.28% compared to 10.38% for the same period of 2005.

As of September 30, 2006, Ephrata National had total assets of $596.9 million, up 7.1%; total deposits of $456.5 million, up 7.8%; and total loans of $358.0 million, up 11.2%, from the balances as of September 30, 2005.

Ephrata National Bank operates from eight locations in northern Lancaster County, Pennsylvania, with the headquarters located at 31 E. Main Street, Ephrata, PA. Ephrata National has been serving the community since 1881. For more information about Ephrata National Bank, visit the Bank's web site at www.epnb.com**.**

This news release may contain forward-looking statements concerning the future operations of Ephrata National Bank. Forward-looking statements are based on management's current expectations, assumptions, estimates, and projections about the bank, the financial services industry and the economy. The Private Securities Reform Act of 1995 provides safe harbor in the event the projected future operations are not met. There are a number of future factors such as changes in fiscal or monetary policy or changes in the economic climate that will influence the bank's future operations. These factors are difficult to predict with regard to how likely and to what degree or significance that they occur. Actual results may differ materially from what have been forecasted in the forward-looking statements. We are not obligated to publicly update any forward-looking statements to reflect the effects of subsequent events.

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