Ephrata National Bank

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Ephrata National Bank Reports Second Quarter 2007 Results

(July 12, 2007) -- Ephrata, PA -- Ephrata National Bank's net income for the second quarter of 2007 was $1,311,000, a 14.4% decrease from the $1,531,000 earned during the second quarter of 2006. Net income for the six months ended June 30, 2007 was $1,933,000, a 40.0% decrease from the $3,224,000 earned during the same period in 2006. Earnings per share for the second quarter of 2007 were $0.46 compared to $0.54 for the same period in 2006. Year-to-date earnings per share decreased from $1.13 in 2006 to $0.70 in 2007.

Pressure on the Bank's net interest margin and provisions for realized and potential credit losses are the two main components affecting the Bank's 2007 earnings performance for both the second quarter and year-to-date periods.

During the quarter ended June 30, 2007, the Bank recorded a loss of $116,000 on the value of Other Real Estate Owned (OREO) based on an agreement of sale to close in the fourth quarter of 2007. The Bank had placed the property in OREO in December 2006, with a value based on an appraisal less expected selling costs. There was no comparable OREO gain or loss activity during 2006. For the second quarter of 2007, the Bank increased the allowance for loan losses through the provision by $162,000, compared to $75,000 in the same period of 2006. The 2007 year-to-date provision was $1,236,000 compared to $150,000 through June 30, 2006. Approximately 75% of the year-to-date 2007 provision pertains to losses on charged-off loans, while the remaining portion is related to potential losses identified in the Bank's current loan portfolio.

The Bank's core earnings continue to be limited as a result the interest rate environment. Net interest income increased $93,000, or 2.0%, and $63,000, or 0.7%, for the three and six-month periods ending June 30, 2007, respectively over the same periods in 2006. Net interest income has been under pressure for the last two years due to higher short-term interest rates that increased the Bank's cost of funds while the inverted yield curve limited increases on the yields of the Bank's fixed rate loans and securities. During the second quarter of 2007, the Bank initiated a deposit pricing strategy that allowed a large amount of high rate deposits to reprice at a lower rate. That strategy lowered the Bank's cost of funds and resulted in the increase to net interest income for both the three and six-month periods ending June 30, 2007, compared to the same periods in 2006.

The Bank's non-interest income, excluding the gain or loss on the sale of securities and mortgages, increased 9.8% and 9.6% for the three and six-month periods ending June 30, 2007, respectively over 2006. Contributing to the increases for both the quarter and year-to-date were, trust and investment services, check card exchange commissions and income from Bank Owned Life Insurance (BOLI). These increases were partially offset by reductions in mortgage fees and overdraft fees.

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During the second quarter of 2007, the Bank recognized a $2,000 loss on the sale of securities, compared to a $15,000 gain recognized in the same period of 2007. In the first six months of 2007, the Bank recognized the same $2,000 loss on the sale of securities versus $7,000 of gains recorded in the first six months of 2006. Additionally, for the quarter ended June 30, 2007, the Bank recognized $41,000 of net gains on the sale of mortgages versus the $33,000 of net gains recorded in the same period of 2006. Gains on the sale of mortgages were $62,000 for the first six months of 2007 compared to $87,000 for the same period in 2006.

Total operating expenses for the three and six-month periods ended June 30, 2007 were 10.6% and 13.1% higher than the same respective periods in 2006. The increases primarily resulted from higher salary and benefit costs. Additionally, the increase in premises and equipment expense for both the second quarter and year-to-date was the result of higher depreciation, real estate taxes, utility expenses, maintenance and repair costs.

Ephrata National's annualized return on average assets (ROA) and return on average stockholders' equity (ROE) for the second quarter of 2007 were 0.85% and 7.99% respectively, compared with 1.04% and 9.72% for the second quarter of 2006. For the first six months of 2007, the annualized ROA was 0.66% compared to 1.12% for 2006, while ROE was 6.11% compared to 10.21% for the same period of 2006.

As of June 30 2007, Ephrata National had total assets of $618.3 million, up 3.8%; total deposits of $471.2 million, up 0.8%; and total loans of $375.6 million, up 6.4% from the balances as of June 30, 2006.

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 they may 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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