



**LARGE BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## Public Disclosure

July 25, 2005

# Community Reinvestment Act Performance Evaluation

DNB First, NA  
Charter Number: 661

4 Brandywine Avenue  
Downingtown, PA 19335

Office of the 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, 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.***

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS.....</b>	<b>3</b>
<b>DESCRIPTION OF INSTITUTION.....</b>	<b>7</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>8</b>
<b>FAIR LENDING REVIEW .....</b>	<b>10</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>11</b>
LENDING TEST .....	11
INVESTMENT TEST .....	17
SERVICE TEST .....	17
<b>APPENDIX A: SCOPE OF EXAMINATION .....</b>	<b>A-1</b>
<b>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>B-1</b>
<b>APPENDIX C: TABLES OF PERFORMANCE DATA .....</b>	<b>C-1</b>

## Overall CRA Rating

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

The following table indicates the performance level of DNB First, NA with respect to the Lending, Investment, and Service Tests:

Performance Levels	DNB First, NA Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	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:

- Lending levels reflect good responsiveness to credit needs given the high level of competition from larger financial institutions in the assessment area.
- A substantial majority of the bank’s loans are made within its assessment area.
- The distribution of loans to borrowers of different income levels is excellent.
- Market share data for home improvement, home mortgage refinance, and small business lending reflects favorably on the bank.
- The geographic distribution of home mortgage loans and small loans to businesses is adequate based on the assessment area’s demographics.
- Qualified investments demonstrate an adequate responsiveness to the affordable housing and community revitalization needs of the assessment area.
- Banking services are reasonably accessible to geographies and individuals of different income levels.
- Bank employees provide a good level of community development services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited 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, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. 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 Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an

employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One 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:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

DNB First, NA (DNB) is a \$441 million institution headquartered in Downingtown, Pennsylvania. DNB is wholly owned by DNB Financial Corporation, a one-bank holding company headquartered in Downingtown, Pennsylvania. The bank was chartered in 1864 and is a full service, intrastate bank offering a wide array of loan and deposit products as well as trust services. DNB also offers insurance, and the sale of investment products and services through its only operating subsidiary, DNB Financial Services. Subsidiary activities were not considered in this evaluation, as they did not impact DNB's capacity to lend or invest in its community. There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs of its assessment area (AA).

DNB has nine full services branches, all located in Chester County, and a limited service satellite facility within a local retirement community. All branch locations are equipped with automated teller machines (ATMs) and seven of the offices have drive-through facilities. Extended banking hours are available at all branch locations on Fridays and Saturday hours are available at seven of the nine branches. There were no branches opened or closed during the evaluation period.

As of December 31, 2004, DNB had net loans approximating \$232 million or 53% of total assets. The composition of the loan portfolio consists of commercial and commercial real estate loans at 51%, residential real estate loans at 29%, construction and development loans at 10%, lease financing receivables at 8%, other loans at 1%, and consumer loans at .6%. Net tier one capital was \$29 million as of December 31, 2004.

DNB is a community bank with a primary focus of serving the needs of Chester County. A full line of traditional banking products and services are offered at all branches. Retail and commercial banking activities are provided primarily to consumers and small to mid-sized companies within DNB's AA.

DNB's competition comes from locally based banks, branches of regional financial institutions, and credit unions. Based on the June 30, 2004 deposit data, the major competitors in Chester County are: Wachovia Bank, NA (14.92% market share, 21 offices); Citizens Bank (11.92% market share, 20 offices); National Penn Bank (9.31% market share, 20 offices); Commerce Bank (8.32% market share, 7 offices); and, PNC Bank, NA (8.26% market share, 14 offices).

DNB's previous CRA examination was conducted as of November 26, 2001 and the bank was assigned an overall rating of "Satisfactory."

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the Lending Test, with the exception of community development (CD) loans, consists of three distinct time periods: October 1, 2001 through December 31, 2002 (2001-2002 evaluation period); January 1, 2003 through December 31, 2003 (2003 evaluation period); and, January 1, 2004 through December 31, 2004 (2004 evaluation period). The first time period is evaluated using 1990 Census demographic information, and the second uses 2000 Census demographic information. The third time period uses 2000 Census demographic information updated in 2004 to reflect new Office of Management and Budget (OMB) MSA definitions and boundaries.

Conclusions regarding the bank's lending performance are based on home improvement loans, home mortgage refinance loans, and small loans to businesses. There were a minimal number of home purchase loans and multifamily loans; therefore, these two loan types were not evaluated during this evaluation period. Small loans to farms are not evaluated since DNB did not originate or purchase such loans during the evaluation period. Consumer lending does not constitute a substantial majority of the bank's business and was not considered or evaluated.

For the CD loans and the Investment and Service Tests, the evaluation period is November 27, 2001 through July 25, 2005. The investment test included a review of investments, grants, and donations made in the bank's AA that meet the definition of community development. The Service Test included a review of retail and community development services provided in the bank's AA.

Aggregate data to determine market share during 2004 was not available for review and therefore, a market analysis was not used in the analysis of the bank's lending in 2004.

### Data Integrity

DNB's publicly filed information for Home Mortgage Disclosure Act (HMDA) reportable loans and small loan to businesses were tested for accuracy. Results of this testing evidenced the data is sufficiently accurate for purposes of this CRA evaluation.

### Selection of Areas for Full-Scope Review

We conducted a full scope review of DNB's one assessment area (AA). During the 2001-2002 evaluation period, the bank's AA was comprised of 71 census tracts (CTs), located in the central portion of Chester County, which was part of the Philadelphia MSA#6160. In February 2003, the bank expanded their AA to include all of Chester County. The AA for 2003 and 2004 is comprised of 113 CTs, which was part of the Philadelphia MSA #6160 in 2003 and is part of the Philadelphia PA MD #37964 in 2004. DNB's assessment area complies with regulatory requirements and does not arbitrarily exclude low- and moderate-income areas.

The OMB's revised *Standards for Defining Metropolitan and Micropolitan Areas*, introduced in February 2004, did not result in any new MSAs, and no new metropolitan divisions (MDs) were created in the AA. The obsolete identification number #6160 for the Philadelphia MSA was changed to a new five-digit number #37964 in 2004.

Please refer to Appendix B for market profiles on the AA based on the 1990 Census, 2000 Census and updated 2000 Census.

## **Ratings**

The bank's overall rating is based on the full-scope review of its one AA. The Lending Test was rated more heavily than the Investment or Service Test. Home mortgage loans received more weight in determining the Lending Test rating since DNB originated a greater number of these loans (84%) than small loans to businesses (11%) during the evaluation period. In particular, we place more weight on home refinance and home improvement lending, as these comprised 53% and 42%, respectively, of all originated home mortgage loans. Additionally, greater weight is given to borrower distribution in evaluating the bank's lending performance given the relatively small number of low- and moderate-income geographies in the AA. The only low-income census tract was reclassified to moderate-income in the 2000 census; therefore, the distribution of loans among low-income geographies did not apply in 2003 and 2004. As a result, an analysis of DNB's distribution of home mortgage products and small business lending for low-income geographies would not be meaningful and was not performed.

## **Other**

We had one recent contact with a community group. The contact was a non-profit housing organization that provides credit counseling programs, mortgage and other lending assistance to low- and moderate-income individuals and families, primarily in Chester County. Based on this contact and other sources, credit and community development needs center on affordable housing and mortgage financing for low- and moderate-income populations, particularly those who are elderly. According to this contact, DNB greatly supports the organization through contributions, mortgage loan programs, and/or services. Also, based on other sources, funding is needed for revitalization efforts in the AA's distressed communities.

## **Fair Lending or Other Illegal Credit Practices Review**

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "High Satisfactory." Based on the full-scope review, the bank's performance in the AA is good.

#### Lending Activity

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's lending activity.

DNB's lending activity is good and lending levels reflect a good responsiveness to the credit needs in the AA when considering the high level of competition from larger, nationwide lenders.

DNB had a 4.14% deposit market share as of June 30, 2004, ranking it 9<sup>th</sup> among 32 financial institutions in Chester County. Banks with higher deposit market shares are significantly larger institutions and have a greater number of branch offices in the AA. The top five institutions are Wachovia Bank, NA, Citizens Bank, National Penn Bank, Commerce Bank, and PNC Bank, NA.

#### *Home Mortgage Loans*

Among home mortgage originations, approximately 53% were home mortgage refinance loans, 42% were home improvement loans, 4% were home purchase loans, and .46% were multifamily loans.

The 2002 market share data for all mortgage data indicates that DNB ranks 35<sup>th</sup> out of 427 mortgage lenders with a market share of .61%. The 2003 market share data for all mortgage data indicates that DNB ranks 24<sup>th</sup> out of 538 mortgage lenders with a market share of .84%. Although this is below the bank's deposit market share, DNB's mortgage lending penetration is reasonable given the number of lenders in the AA and that the majority of the lenders ranked above DNB are larger, nationwide lenders. Further, the lenders ranking above DNB had market shares ranging from .63%-7.45% in 2002 and .86%-9.49% in 2003, indicating competition is strong in DNB's AA.

Based on the 2002 HMDA aggregate data, DNB ranked 6<sup>th</sup> out of 116 lenders in the AA with a 3.02% market share in home improvement lending. The 2003 HMDA aggregate data indicates DNB ranked 4<sup>th</sup> out of 136 lenders in the AA with a 7.07% market share in home improvement lending. This performance is considered excellent considering the competition in the AA is primarily larger institutions.

According to the 2002 HMDA aggregate data, DNB ranked 34<sup>th</sup> out of 349 lenders in the AA with a .60% market share in home refinance lending. The 2003 HMDA aggregate data indicates DNB ranked 27<sup>th</sup> out of 476 lenders in the AA with a .67% market share in home refinance lending. This performance is considered adequate when taking into consideration the strong competition from nationwide lenders who are active in this area.

### ***Small Loans to businesses***

Based upon the 2002 CRA aggregating data, DNB ranked 28<sup>th</sup> out of 115 lenders with a market share of .32%. Based upon the 2003 CRA aggregating data, DNB ranked 32<sup>nd</sup> out of 114 lenders with a market share of .35%. Although this is below the bank's deposit market share, DNB's performance is considered adequate when considering the dominance of large lenders, which originate small loans to businesses.

### **Distribution of Loans by Income Level of the Geography**

The overall geographic distribution of home mortgage loans is adequate considering the strong competition from significantly larger financial institutions and the limited opportunities for such lending in low- and moderate-income geographies.

During the 2001-2002 evaluation period, home mortgage lending opportunities were very limited in the low-income census tract given that only .74% of owner-occupied units were located in this geography. Similarly, only .51% of businesses were located in the low-income census tract in 2002. The only low-income census tract was reclassified to moderate-income in the 2000 census; therefore, the distribution of loans among low-income geographies did not apply in 2003 and 2004. As a result, an analysis of DNB's distribution of home mortgage products and small business lending for low-income geographies would not be meaningful and was not performed.

Home mortgage and small business lending opportunities are also limited in the moderate-income geographies. For each evaluation period, there were approximately 3% of owner-occupied units in moderate-income geographies. The percentage of businesses in moderate-income geographies was only 4.45% in 2002, 5.28% in 2003, and 5.54% in 2004.

### ***Home Mortgage Loans***

Refer to Tables 3 and 4 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

***Home Improvement Lending***

The geographic distribution of home improvement loans is adequate. For each of the evaluation periods, DNB's lending in moderate-income tracts is near the level of owner occupied units in those geographies.

For the 2001-2002 evaluation period, DNB's market share in moderate-income tracts is close to its overall market share. For the 2003 evaluation period, DNB's market share in moderate-income tracts was below its overall market share; however, DNB did rank 9<sup>th</sup> out of 30 lenders within the AA indicating they are competitive in the market.

***Home Refinance Lending***

The distribution for home refinance loans is adequate. For the 2001-2002 evaluation period and the 2003 evaluation period, the percentage of mortgage refinance loans originated in moderate-income geographies is near to the percentage of owner-occupied units. For the 2004 evaluation period, the percentage of mortgage refinance loans originated in moderate-income geographies is below the percentage of owner-occupied units.

For the 2001-2002 evaluation period, DNB's market share in moderate-income tracts exceeded its overall market share. For the 2003 evaluation period, DNB's market share in moderate-income tracts is close to its overall market share.

***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

Geographic distribution of small loans to businesses is adequate. As noted previously, competition is strong and opportunities are limited for small business lending in moderate-income geographies. For the 2001-2002 evaluation period, the percentage of small loans to businesses in moderate-income geographies exceeds the percentage of businesses in such geographies. For the 2003 evaluation period, the percentage of small loans to businesses in moderate-income geographies is below the percentage of businesses in such geographies. For the 2004 evaluation period, DNB originated no small loans to businesses in moderate-income geographies.

For the 2001-2002 evaluation period, DNB's market share of small loans to businesses exceeds its overall market share. For the 2003 evaluation period, DNB's market share of small loans to businesses is close to its overall market share.

***Small Loans to Farms***

DNB did not originate small loans to farms during the evaluation period. Agricultural lending is not a primary product line for the bank.

***Consumer Loans***

Consumer lending does not constitute a substantial majority of the DNB's business and was not evaluated.

## **Lending Gap Analysis**

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in lending patterns.

### ***Inside/Outside Ratio***

DNB originates a substantial majority of loans in its assessment area. During the evaluation period, 93.01% of the number and 85.47% of the dollar amount of total HMDA originations were within the bank's assessment area. The number and dollar amount of loans originated in the assessment area during the evaluation period by the product types are as follows: 77.97% of the number and 65.28% of the dollar amount of home purchase loans, 96.19% of the number and 95.09% of the dollar amount of home improvement loans, 92.01% of the number and 87.85% of the dollar amount of home refinance loans. Regarding small loans to businesses, 81.82% of the number and 79.89% of the dollar amount of total originations were within the assessment area. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

### **Distribution of Loans by Income Level of the Borrower**

The overall borrower distribution of home mortgage loans is excellent given the strong competition from significantly larger institutions and the limited lending opportunities for low- and moderate-income borrowers.

Our analysis revealed that overall lending to low-income borrower for all home mortgage products is below the percentage of low-income families within the assessment area. In our analysis, we considered the lack of affordability for a low-income individual or family to purchase a home. This lack of affordability limits the opportunities for home improvement and home refinance lending to low-income individuals or families. This is evident as the average median housing value for the area, based on the 1990 Census, was \$108 thousand, increasing to \$125 thousand in the 2000 Census. In DNB's AA, the updated median family income is \$66,300, which means a low-income individual earns less than \$31,650. Further, according to the 1990 Census data, 11.18% of the households within the AA are below the poverty level and are considered very low-income and according to the 2000 Census data, 12.10% of the households within the AA are below the poverty level and considered very low-income. In turn, DNB's lending to low-income borrowers is considered good, particularly when factoring in favorable market share performance. DNB's lending levels to moderate-income borrower is excellent.

### ***Home Mortgage Loans***

Refer to Tables 9 and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### ***Home Improvement Lending***

Borrower distribution of home improvement loan originations is excellent. The percentage of loans originated to low-income borrowers is below the percentage of low-income families in the 2001-2002 evaluation period and the 2004 evaluation period. The percentage of loans

originated to low-income borrowers is near the percentage of low-income families in the 2003 evaluation period. The percentage of loans originated to moderate-income borrowers greatly exceeds the percentage of moderate-income families in the 2001-2002 evaluation period and exceeds the percentage of moderate-income families in the 2003 and 2004 evaluation period.

For the 2001-2002 evaluation period, DNB's market share for each low-and moderate-income borrowers is close to its overall market share for each. According to the 2002 market share data, DNB is ranked 10 out of 34 lenders in lending to low-income borrowers and is ranked 8 out of 54 lenders in lending to moderate-income borrowers. For the 2003 evaluation period, DNB's market share for each low-and moderate-income borrowers exceeds its overall market share for each. The 2003 market share data indicates DNB is ranked 3<sup>rd</sup> out of 46 lenders in lending to low-income borrowers and is ranked 3<sup>rd</sup> out of 58 lenders in lending to moderate-income borrowers.

### ***Home Refinance Lending***

Borrower distribution of home mortgage refinance loan originations is excellent. For the 2001-2002 evaluation period and the 2003 evaluation periods, the percentage of home mortgage refinance loans to low-income borrowers is below the percentage of low-income families, and the percentage of home mortgage refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. For the 2004 evaluation period, the percentage of loans originated to low-income borrowers is below the percentage of low-income families in the AA, and the percentage of loans originated to moderate-income borrowers greatly exceeds the percentage of moderate-income families in the AA.

For both the 2001-2002 evaluation period and the 2003 evaluation period, DNB's market share for each low-and moderate-income borrowers exceeds its overall market share.

### ***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The distribution of small loans to businesses is adequate when considering the distribution by size of loan and the strong competition from larger, nationwide lenders that offer small business credit cards.

The percentage of small loans to small businesses (businesses with gross annual revenues of \$1 million or less) is below the percentage of small businesses in the AA for each of the evaluation periods; however, DNB's market share of lending to small businesses exceeds its overall market share for both the 2001-2002 evaluation period and the 2003 evaluation period.

Using the size of the loan as a proxy for the size of the business, this further supports DNB's distribution of small loans to businesses is adequate. Approximately 38%, 53%, and 50% of the small loans to businesses in the 2001-2002, 2003, and 2004 evaluation periods, respectively, are for amounts of \$100,000 or less.

**Small Loans to Farms**

DNB did not originate small loans to farms during the evaluation period. Agricultural lending is not a primary product line for the bank.

**Consumer Loans**

Consumer lending does not constitute a substantial majority of the DNB's business and was not evaluated.

**Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development (CD) lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans.

During 2003, DNB originated four small business loans that have community development purposes. These loans are included in DNB's CRA small business loan data and are highlighted below. Consequently, the bank has extended no community development loans in excess of \$1 million during the evaluation period. The lack of community development lending is not a regulatory concern and is deemed adequate.

A \$65 thousand term loan was extended to a local area organization whose purpose is to enhance the economic climate of the community. This organization has programs supporting small business initiatives and community development in Downingtown. DNB extended a \$400 thousand term loan and an \$83 thousand term loan to an organization that provides housing for low- and moderate-income individuals and families. A \$138 thousand term loan was extended to an organization that provides housing for low- and moderate-income women who are going through drug and alcohol rehabilitation programs.

**Product Innovation and Flexibility**

Product innovation and flexibility had a neutral impact on the Lending Test conclusion.

DNB began participating in the Housing Partnership Development Corporation's Chester County Home Modification Program (CCHMP) in 2003. The CCHMP was established to provide low- and moderate-income residents, with permanent disabilities, a second mortgage to make adaptive modifications that improve their accessibility in the home. These second mortgage loans are funded through a \$300 thousand grant from the Federal Home Loan Bank of Pittsburgh's Affordable Housing Program. DNB was awarded the grant and the second mortgages are recorded by DNB. There have been a total of 23 loans totaling \$270 thousand originated under this program. The remaining \$30 thousand will be disbursed by December 31, 2005.

During 2004, DNB committed \$500 thousand to the Housing Partnership of Chester County First Time Home Buyers Programs. This program is intended to assist low- and moderate-income individuals and families. No loans were extended during the evaluation period.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated "Low Satisfactory." Based on a full-scope review, the bank's performance is adequate.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

We determined through the community contact and our internal research that investment opportunities exist, but are not overly prevalent within DNB's AA. Typical opportunities include equity investments in low-income housing projects and small business investment companies.

DNB has an adequate level of qualified investments, grants, and donations and has exhibited an adequate level of responsiveness to meeting the identified needs of the area when consideration is given to the availability of qualified investments. The investment activity for this evaluation period is primarily qualifying grants and donations. There is one qualifying investment that was extended in the prior period.

In May 2000, DNB committed to a \$788 thousand equity investment in a 66-unit housing project located in Coatesville, PA. There was \$705 thousand previously extended, which has a current book value of \$361 thousand, and the remaining \$84 thousand was extended during this evaluation period. This renovation project is part of the Coatesville Hope VI Revitalization program developed by The Housing Authority of the County of Chester. The renovated building will provide housing to low-income and elderly individuals. The project qualifies for Federal low-income housing tax credits for equity investors. This investment is responsive to the identified need of affordable housing for low- and moderate-income individuals, particularly those who are elderly. This investment is not considered innovative or flexible.

During the evaluation period, DNB made 31 qualifying grants and donations totaling \$27 thousand to 21 organizations that help provide economic development, affordable housing, and community services to low-and moderate-income individuals and communities.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "Low Satisfactory." Based on our full-scope review, the bank's performance in the AA is adequate.

## Retail Banking Services

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Retail services are reasonably accessible to geographies and individuals of different income levels in the AA. This is supported by the close proximity of the branches to moderate-income geographies and the availability of public transportation serving the moderate-income geographies. Furthermore, a majority of low- and moderate-income families living in the AA reside in middle- and upper-income geographies.

DNB's hours and services do not vary in a way that inconveniences low- and moderate-income individuals within the AA. DNB operates nine full service branches, all of which are located in Chester County, and a limited service satellite facility located in a local retirement community. Four (44.44%) of DNB's branches are located in middle-income geographies and five (55.56%) of DNB's branches are located in upper-income geographies. According to the 2000 US Census information, approximately 88% of the low- and moderate-income families living in the AA reside in middle- and upper-income geographies. There have been no branch openings or closings during the evaluation period.

While DNB has no branches or ATM locations in the moderate-income geographies, there are five branches that are easily accessible for the families residing in the moderate-income CTs. According to the 2000 US Census information, only 4.6% of the families in the AA reside in the eight moderate-income census tracts located within the AA. The bank's Caln branch is located within one mile of five of the eight moderate-income CTs. These five moderate-income CTs are located in Coatesville and South Coatesville. The West Goshen branch is located less than one mile from the moderate-income CT in West Chester and the Exton branch is located five miles from this same moderate-income CT in West Chester. The bank's Kennett Square and Ludwig's Corner branches are located less than ten miles from the other two moderate-income CTs, which are located in Phoenixville and Oxford.

All of the branches offer ATM services and eight of the nine branches offer drive-in facilities. Banking hours and services are provided Monday through Friday with extended hours on Friday evenings. Seven of the nine branches offer Saturday morning hours. A full line of traditional banking products and services are offered at all branches.

DNB offers alternative delivery systems including Internet, bank by mail, and telephone banking. However, no weight was placed on these other delivery services because a determination of the volume of use in low- and moderate-income geographies and by low- and moderate-income individuals is unavailable.

DNB is a Partner Financial Institution with Open Hearth and offers the Family Savings Account Program (FSA) for all of Chester County's low- and moderate-income families and individuals. FSA savers will generally save \$10-\$20 per week for two years. At the end of that period they may use the accumulated savings, plus a 50% match from the state's Department of Community and Economic Development, for a specific, predetermined use such as home-ownership, home repair, starting a business, and advanced education.

DNB has agreed to a Partnership Banking program that has been created to provide a mutually beneficial way for charitable organizations and DNB to work together. DNB will make a one-time monetary contribution to the charitable organization based on the number of new accounts opened and designated to the charity. In addition, DNB will make an annual (and perpetual) contribution equal to 5 basis points on the annual average balance of all accounts designated to the specific charity.

## **Community Development Services**

DNB provides a good level of CD services within the assessment area. Ten Board members, bank officers, and employees provide financial expertise to twelve separate and qualified community organizations. Their community development services enhanced small business development and economic development as well as enhanced services targeted to low- and moderate-income individuals and families. The following is a list of CD services that were provided during the evaluation period.

The CEO/Chairman of the Board provides financial expertise while serving on the Board of Directors for a local economic development council.

A DNB Board member provides financial expertise while serving on the Executive Committee for a local economic development council.

DNB's President offers financial expertise while serving on the Board of Directors for a local organization that supports and promotes business and industry as well as affordable housing.

An officer serves on the Board of Directors for a local center that provides day care assistance to low-income families. The center relies on his banking and financial knowledge.

One officer provides financial services in his capacity as treasurer of a local organization that offers financial and vocation training to LMI individuals.

One employee provides financial expertise by serving on the Board of Directors for a non-profit human service agency that assists mentally challenged individuals. A majority of these individuals are considered low- and moderate-income.

An employee provides financial expertise to a non-profit organization that provides community services to low- and moderate-income seniors.

An employee serves as Treasurer on the Board of Directors for an organization that assists and provides community services to low- and moderate-income families

An employee provides financial expertise as a member of the Board for an organization that assists low-income individuals through donations and services.

An employee serves as Chairman of the Board and provides financial expertise to a local organization that focuses on campaigns that benefit low-income youth.

One employee provides financial and banking education through her active role in an organization that provides services to the English-Spanish speaking population. A majority of these individuals are low-income.

One employee provides financial expertise as a member of the Board of Directors for an organization that assists low-income individuals with rent, electric, food assistance, and provides various other community services targeted to low-income individuals.

## 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (10/01/01 to 12/31/04) Investment, and Service Tests and CD Loans: ( 11/27/01 to 7/25/05)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
DNB First, NA (DNB) Downingtown, PA	Home Improvement, Home Refinance, Small Loans to Businesses, CD Loans, Investments, and Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Central Chester County for 2002, which was expanded to all of Chester County for 2003 and 2004. The AA is a portion of the Philadelphia MSA 6160, which is located within the Philadelphia-Wilmington-Atlantic City CMSA as defined by the 1990 Census, and 2000 Census.  A portion of Philadelphia MD 37964 as defined by the 2000 Census updated in 2004 to reflect new Office of Management and Budget (OMB) MSA definitions and boundaries.	<b>Full Scope</b>	None

## Appendix B: Market Profiles for Full-Scope Areas

---

### Table of Contents

#### Market Profiles for Areas Receiving Full-Scope Reviews

<i>Philadelphia MSA 6160 for DNB – 1990 Census Data.....</i>	<i>B -2</i>
<i>Philadelphia MSA 6160 for DNB – 2000 Census Data.....</i>	<i>B -4</i>
<i>Philadelphia MD 37964 for DNB – 2000 Census Data.....</i>	<i>B -6</i>

**Philadelphia MSA 6160 for DNB – 1990 Census Data**

Demographic Information for Full-Scope Area: Philadelphia MSA 6160 for DNB						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	71	1.41	8.45	35.21	53.52	1.41
Population by Geography	249,482	1.21	5.02	33.47	60.26	0.04
Owner-Occupied Housing by Geography	64,912	0.74	3.11	31.69	64.46	0.00
Businesses by Geography	26,839	0.51	4.45	26.64	68.39	0.01
Farms by Geography	760	0.00	3.55	36.84	59.61	0.00
Family Distribution by Income Level	66,446	11.22	14.17	22.24	52.37	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	16,871	2.89	9.72	46.45	40.93	0.00
Median Family Income = \$41,908			Median Housing Value = \$107,640			
HUD Adjusted Median Family Income for XXXX = \$63,300			Unemployment Rate = 3%			
Households Below the Poverty Level =11.18%						

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 U.S. Census, and 2002 HUD updated MFI.

The above chart reflects demographic information based on the 1990 Census information. DNB’s performance in 2002 is compared to this information.

During the 2002 evaluation period, DNB’s assessment area was comprised of 71 census tracts located in the central portion of Chester County. The AA is located within the Pennsylvania portion of the Philadelphia MSA #6160, which changed to the Philadelphia MD #37964 beginning with 2004 as a result of the new MSA definitions and boundaries.

The AA consisted of one low-income (1.41%), six moderate-income (8.45%), twenty-five middle-income (35.21%), thirty-eight upper-income (53.52%) and one (1.41%), which was not assigned an income classification. The one low-income and four of the moderate-income census tracts are located in Coatesville and South Coatesville, one moderate-income census tract is located in West Chester and the other moderate-income census tract is located in Avondale. The City of Coatesville is a designated “Enterprise Zone”. The 2000 Census resulted in changes to census tract income levels, as well as to other demographic information. These changes are presented and discussed in the next tables.

The 1990 U.S. census reported the total population of the assessment area at 249,482. This population was comprised of 87,512 households and 66,446 families. There are 91,551 housing units, of which, 82% were one to four family units and 26% were rental units. Owner-

occupied housing is 71%, rental-occupied housing is 24%, and vacant housing is 5%. The median housing cost is 107,640.

The 1990 census MSA median family income was \$41,908 and the HUD updated MSA median family income is \$63,300. Approximately 5% of the households are below poverty. Approximately 11% of the families in the AA are low-income, 14% moderate-income, 22% middle-income, and 52% upper-income.

According to the 2002 business demographics, there are a total of 26,839 businesses and 760 farms. Approximately 57% of the businesses reporting have revenues less than \$1 million and approximately 54% of the businesses and farms reporting have less than 10 employees.

**Philadelphia MSA 6160 for DNB – 2000 Census Data**

Demographic Information for Full-Scope Area: Philadelphia MSA 6160 for DNB						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	113	0.00	7.08	35.40	55.75	1.77
Population by Geography	433,501	0.00	5.45	30.32	63.49	0.74
Owner-Occupied Housing by Geography	120,500	0.00	3.16	29.26	67.58	0.00
Businesses by Geography	40,264	0.00	5.28	22.48	72.22	0.02
Farms by Geography	1,411	0.00	2.91	35.08	62.01	0.00
Family Distribution by Income Level	114,091	10.93	13.08	20.01	55.98	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	27,393	0.00	12.08	43.53	44.39	0.00
Median Family Income = \$58,395 HUD Adjusted Median Family Income for XXXX = \$68,200 Households Below the Poverty Level = 12.10%			Median Housing Value = \$124,584 Unemployment Rate = 3.17%			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2003 HUD updated MFI.

The above chart reflects updated demographic information based on 2000 Census information. DNB’s performance in 2003 is compared to this information.

The major changes relative to the 1990-2000 Census reclassifications are: the only low-income census tract (3056.00 – Coatesville City) to moderate-income, one moderate-income census tract to middle-income (3064.00 – Avondale Borough) and the addition of two additional census tracts (3007 and 3080) that are moderate-income. OMB’s revisions to MSA definitions and boundaries resulted in further changes to census tract income levels, which are presented and discussed in the next table.

In February 2003, DNB expanded their AA to include all of Chester County. As a result, the number of census tracts increased by 42, bringing the total number of census tracts in the AA to 121. Of the 113 CTs, 8 are moderate-income, 41 are middle-income and 70 are upper-income census tracts. There are no low-income census tracts. The only low-income census tract, based on the 1990 census information, was reclassified to a moderate-income census tract as a result of the 2000 census information.

The 2000 U.S. census reported the total population of the assessment area at 433,501. This population was comprised of 114,091 families and 158,025 households. There are 163,773 housing units, of which, 84% were one to four family units and 25% were rental units. Owner-

occupied housing is 74%, rental-occupied housing is 23%, and vacant housing is 4%. The median housing cost is 124,584.

The 2000 census MSA median family income was \$58,395 and the HUD updated MSA median family income is \$68,200. Approximately 5% of households are below poverty. Approximately 11% of the families in the AA are low-income, 13% are moderate-income, 20% are middle-income, and 56% are upper income.

According to the 2003 business demographics, there are a total of 40,264 businesses and 1,411 farms. Approximately 61% of the businesses reporting have revenues less than \$1 million and approximately 66% of the businesses and farms reporting have less than 10 employees.

**Philadelphia MD 37964 for DNB – 2000 Census Data**

Demographic Information for Full-Scope Area: Philadelphia MD 37964 for DNB						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	113	0.00	7.08	32.74	58.41	1.77
Population by Geography	433,501	0.00	5.45	26.96	66.85	0.74
Owner-Occupied Housing by Geography	120,500	0.00	3.16	25.28	71.56	0.00
Businesses by Geography	40,850	0.00	5.54	20.16	74.26	0.03
Farms by Geography	1,423	0.00	2.81	29.94	67.25	0.00
Family Distribution by Income Level	114,091	10.59	12.78	19.57	57.06	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	26,660	0.00	12.22	39.52	48.26	0.00
Median Family Income HUD Adjusted Median Family Income for XXXX Households Below the Poverty Level	= \$56,993 = \$66,300 =12.10%				Median Housing Value = \$124,584 Unemployment Rate = 3.17%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2004 HUD updated MFI.

The above chart reflects demographic information based on 2000 Census information updated to reflect new OMB MSA definitions and boundaries that became effective for 2004. There were no changes to census tracts designated as low- or moderate-income as a result of the OMB’s updated MSA definitions and boundaries. DNB’s performance in 2004 is compared to this information.

The AA contains 121 census tracts, of which, 8 are moderate-income, 41 are middle-income, and 70 upper-income. There are no low-income CTs in the AA.

The 2000 U.S. census reported the total population of the assessment area at 433,501. This population was comprised of 114,091 families and 158,025 households. There are 163,773 housing units, of which, 84% were one to four family units and 25% were rental units. Owner-occupied housing is 74%, rental-occupied housing is 23%, and vacant housing is 4%. The median housing cost is 124,584.

The 2000 census MSA median family income was \$58,395 and the HUD updated MSA median family income is \$68,200. Approximately 5% of households are below poverty. Approximately 11% of the families in the AA are low-income, 13% are moderate-income, 20% are middle-income, and 56% are upper income.

According to the 2004 business demographics, there are a total of 40,850 businesses and 1,423 farms. Approximately 63% of the businesses reporting have revenues less than \$1 million and approximately 67% of the businesses and farms reporting have less than 10 employees.

DNB has nine full services branches, all located in Chester County, and a limited service satellite facility within a local retirement community. All branch locations are equipped with automated teller machines (ATMs) and seven of the offices have drive-through facilities. Extended banking hours are available at all branch locations on Fridays and Saturday hours are available at seven of the nine branches. There were no branches opened or closed during the evaluation period. A full line of traditional banking products and services are offered at all branches.

As of June 30, 2004, DNB had a 4.14% deposit market share, ranking it 9<sup>th</sup> among 32 financial institutions in Chester County. Competition for both loans and deposits is intense in DNB's AA, particularly from larger regional and multi-state financial institutions. Major competitors in Chester County based on June 30, 2004 deposit data are: Wachovia Bank, NA (14.92% market share, 21 offices); Citizens Bank (11.92% market share, 20 offices); National Penn Bank (9.31% market share, 20 offices); Commerce Bank (8.32% market share, 7 offices); and, PNC Bank (8.26% market share, 14 offices).

Economic conditions within the bank's AA are considered healthy, with unemployment rates well below both state and national averages. Chester County is one of the wealthiest and fastest growing counties in Pennsylvania. Major employers in the Downingtown area include DOPACO, Pepperidge Farm, Reynolds Aluminum, school districts, and hospitals.

We reviewed one recent contact with a community group. The contact was a non-profit housing organization that provides credit counseling programs, mortgage and other lending assistance to low- and moderate-income individuals and families, primarily in Chester County. Based on this contact and other sources, credit and community development needs center on affordable housing and mortgage financing for low- and moderate-income populations, particularly those who are elderly. According to this contact, DNB greatly supports the organization through contributions, mortgage loan programs, and/or services. Also, based on other sources, funding is needed for revitalization efforts in the AA's distressed communities.

## Appendix C: Tables of Performance Data

---

### Content of Standardized Tables

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: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased 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 share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.

- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased 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 share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased 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 share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased 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. In addition, the table presents the percentage distribution of the number of loans originated and purchased 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 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased 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. In addition, the table presents the percentage distribution of the number of loans originated and purchased 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 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: DNB CHESTER COUNTY AA						Evaluation Period: October 1, 2001 to December 31, 2004				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
DNB Chester County AA 2002	100	204	11,504	55	11,420	0	0	0	0	259	22,924	100
DNB Chester County AA 2003	100	523	25,622	53	9,498	0	0	0	0	576	35,120	100
DNB Chester County AA 2004	100	355	23,283	36	8,708	0	0	0	0	391	31,991	100

\* Loan Data as of December 31, 2004. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is November 27, 2001 to July 25, 2005.

\*\*\* Deposit Data as of June 30, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT			Geography: DNB CHESTER COUNTY AA				Evaluation Period: October 1, 2001 to December 31, 2004					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
DNB Chester County AA 2002	66	100	0.74	0.00	3.11	3.03	31.69	43.94	64.46	53.03	3.02	0.00	2.86	4.35	2.41	
DNB Chester County AA 2003	202	100	0.00	0.00	3.16	1.49	29.26	33.17	67.58	65.35	7.07	0.00	4.62	6.95	7.22	
DNB Chester County AA 2004	187	100	0.00	0.00	3.16	0.53	25.28	31.02	71.56	68.45	0.00	0.00	0.00	0.00	0.00	

\* Based on 2002 & 2003 Peer Mortgage Data: Northeast Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 & 2000 Census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: DNB CHESTER COUNTY AA				Evaluation Period: October 1, 2001 to December 31, 2004									
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% Owner Occ*** Units	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
DNB Chester County AA 2002	125	100	0.74	0.00	3.11	1.60	31.69	36.00	64.46	62.40	0.60	0.00	0.67	0.88	0.51	
DNB Chester County AA 2003	305	100	0.00	0.00	3.16	1.64	29.26	31.48	67.58	66.89	0.67	0.00	0.52	0.91	0.60	
DNB Chester County AA 2004	146	100	0.00	0.00	3.16	0.00	25.28	30.82	71.56	69.18	0.00	0.00	0.00	0.00	0.00	

\* Based on 2002 & 2003 Peer Mortgage Data: Northeast Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 & 2000 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: DNB CHESTER COUNTY AA						Evaluation Period: October 1, 2001 to December 31, 2004						
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
DNB Chester County AA 2002	55	100	0.51	3.64	4.45	7.27	26.64	41.82	68.39	47.27	0.32	7.41	0.77	0.50	0.23
DNB Chester County AA 2003	52	100	0.00	0.00	5.28	1.92	22.48	26.92	72.22	71.15	0.35	0.00	0.18	0.43	0.35
DNB Chester County AA 2004	36	100	0.00	0.00	5.54	0.00	20.16	36.11	74.26	63.89	0.00	0.00	0.00	0.00	0.00

\* Based on 2002 & 2003 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2002 & 2003.

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT			Geography: DNB CHESTER COUNTY AA				Evaluation Period: October 1, 2001 to December 31, 2004					Market Share				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****						
<b>Full Review:</b>																
DNB Chester County AA 2002	66	100	11.22	6.35	14.17	19.05	22.24	34.92	52.37	39.68	3.04	2.80	2.72	4.54	2.44	
DNB Chester County AA 2003	202	100	10.93	9.09	13.08	17.17	20.01	26.77	55.98	46.97	7.14	8.78	7.73	7.51	6.54	
DNB Chester County AA 2004	187	100	10.59	6.08	12.78	16.57	19.57	26.52	57.06	50.83	0.00	0.00	0.00	0.00	0.00	

\* Based on 2002 & 2003 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 4.5%, 2.0%, and 3.2% of loans originated and purchased by Bank in 2002, 2003, and 2004, respectively.

\*\*\* Percentage of Families is based on the 1990 & 2000 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: DNB CHESTER COUNTY AA				Evaluation Period: October 1, 2001 to December 31, 2004					Market Share				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****						
<b>Full Review:</b>																
DNB Chester County AA 2002	125	100	11.22	7.96	14.17	17.70	22.24	28.32	52.37	46.02	0.64	1.56	1.08	0.98	0.43	
DNB Chester County AA 2003	305	100	10.93	6.97	13.08	17.42	20.01	26.13	55.98	49.48	0.75	1.44	1.02	0.83	0.62	
DNB Chester County AA 2004	146	100	10.59	7.30	12.78	19.71	19.57	21.90	57.06	51.09	0.00	0.00	0.00	0.00	0.00	

\* Based on 2002 & 2003 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 9.6%, 5.9%, and 6.2% of loans originated and purchased by Bank in 2002, 2003 and 2004, respectively.

\*\*\* Percentage of Families is based on the 1990 & 2000 Census information.

\*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: DNB CHESTER COUNTY AA			Evaluation Period: October 1, 2001 to December 31, 2004				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
DNB Chester County AA 2002	55	100	57.21	45.45	38.18	34.55	27.27	0.32	0.56
DNB Chester County AA 2003	53	100	61.15	45.28	52.83	22.64	24.53	0.35	0.47
DNB Chester County AA 2004	36	100	62.79	47.22	50.00	16.67	33.33	0.00	0.00

\* Based on 2002 & 2003 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (D&B – 2002, 2003, 2004).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 21.82%, 9.43%, 11.11% of small loans to businesses originated and purchased by the Bank in 2002, 2003, and 2004, respectively.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: DNB CHESTER COUNTY AA				Evaluation Period: November 27, 2001 through July 25, 2005			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
DNB Chester County	1	361	31	111	32	472	100	0	0

---

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS														Geography: DNB CHESTER COUNTY AA			
<b>Evaluation Period:</b> November 27, 2001 through July 25, 2005																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
DNB Chester County AA 2002	100	9	100	0	0	44.44	55.56	0	0	0	0	0	0	1.21	5.02	33.47	60.26
DNB Chester County AA 2003	100	9	100	0	0	44.44	55.56	0	0	0	0	0	0	0.00	5.45	30.32	63.49
DNB Chester County AA 2004	100	9	100	0	0	44.44	55.56	0	0	0	0	0	0	0.00	5.45	26.96	66.85