



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act
Performance Evaluation

First National Bank Of Chester County
Charter Number: 148

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West Chester, PA 19380

Office of the Comptroller of the Currency

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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.

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Overall CRA Rating

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

The following table indicates the performance level of **First National Bank of Chester County (FNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	FNB Chester County Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
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:

- A substantial majority of the bank’s loans are made within its assessment area. Lending levels reflect good responsiveness to credit needs given the high level of competition from larger financial institutions in the assessment area.
- The distribution of loans reflects excellent penetration among home mortgage borrowers of different income levels, and business customers of different sizes based on the assessment area’s demographics.
- The geographic distribution of home mortgage loans and small loans to businesses reflects excellent penetration throughout the assessment area based on the assessment area’s demographics.
- The bank’s community development lending and affordable home mortgage loan products positively impacted the Lending Test rating.
- Qualified investments demonstrate good responsiveness to the affordable housing and community revitalization needs of the assessment area.
- Banking services are accessible to all portions of the assessment area, and new branch offices further improved accessibility for individuals in moderate-income geographies.
- Bank employees provide a high level of community development services in the assessment area.

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.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

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 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 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).

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

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 primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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

The First National Bank of Chester County (FNB) is an \$803 million institution headquartered in West Chester, Pennsylvania. The bank was chartered in 1863 and is a full service, intrastate bank offering a wide array of loan and deposit products. FNB operates nineteen full service branches, seventeen of which are located in Chester County, with two offices in Delaware County. The bank offers automated teller machines (ATMs) at seventeen branches along with nine remote locations. FNB's last Public Evaluation (PE) was dated December 03, 2001 and the overall CRA rating assigned was "Outstanding." Since the last PE, FNB has not closed any branches and has opened five new branches in Chester County. One branch, located in Coatesville, PA, was opened in a moderate-income geography. FNB also opened two and closed one stand-alone ATM during the evaluation period. None are located in low- and moderate-income geographies. There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs of its assessment area (AA).

FNB is a subsidiary of First Chester County Corporation (FCCC), a bank holding company incorporated in 1984 with \$805 million in total assets as of December 31, 2004. FCCC is headquartered in West Chester, PA. Affiliates to FNB are First Chester County Capital Trust I, and First Chester County Capital Trust II, which are special purpose statutory trusts created expressly for the issuance of preferred capital securities and investing proceeds in junior subordinated debentures of the Corporation. FNB has one active wholly-owned subsidiary, FNB Insurance Services, LLC, trading as First National Wealth Advisory Services. First National Wealth Advisory Services offers insurance, full-service brokerage, financial planning and mutual fund services. Subsidiary activities were not considered in this evaluation as they did not impact FNB's capacity to lend or invest in its community.

FNB is a community bank with a primary focus of serving the needs of Chester County, and the portions of Delaware County within its AA. Primary lending products include commercial loans, commercial revolving lines of credit, commercial mortgages, equipment leasing, consumer loan programs, residential mortgages, and letters of credit. These retail and commercial banking activities are provided primarily to consumers and small to mid-sized companies within FNB's AA. As of December 31, 2004, net loans and leases represent 77% of total assets and consist of commercial and commercial real estate loans (70%), lease financing (4%), home mortgage loans (9%), home mortgage lines of credit (8%), and consumer loans (8%). Net Tier 1 capital is \$66 million as of December 31, 2004. Competition is strong and includes several local community banks, branches of regional and multi-state banks, and mortgage companies.

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: July 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. The evaluation period for CD loans, the Investment Test and Service Test is December 4, 2001 through May 23, 2005.

For the Lending Test, home mortgage loans (home purchase, mortgage refinance and home improvement), small loans to businesses and CD loans are evaluated. Small loans to farms are not evaluated since FNB did not originate/purchase such loans during the evaluation period. Agricultural lending is not a primary product line for the bank.

Data Integrity

FNB'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 FNB's one AA. 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. Home mortgage loans received more weight in determining the Lending Test rating since FNB originated a greater number of mortgage loans (70%) than small loans to businesses (30%) during the evaluation period. 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.

Other

During the review, we contacted one community group. Our 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 our 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. Our contact specifically mentioned FNB for its active participation in the organization's affordable mortgage and home rehabilitation loan programs, and credit

counseling sessions for low- and moderate-income borrowers. Also, based on other sources, funding is needed for revitalization efforts in the AA's distressed communities.

Fair Lending 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 "Outstanding." Based on the full-scope review, the bank's performance in the Philadelphia MSA 6160/MD 37964 is excellent.

Lending Activity

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

FNB's overall lending activity is good given the high level of competition from larger financial institutions in the AA. Approximately 70% of reportable loans originated during the evaluation period were home mortgage loans, and 30% were small loans to businesses. There were no small loans to farms during the evaluation period. Agricultural lending is not a primary product line for the bank.

Among home mortgage loan originations, 11% were for home purchase, 25% for home improvement and 64% for refinances. FNB sells residential mortgage loans in the secondary market. For years 2002 through 2004, mortgages sold totaled \$89.7 million. FNB's loan-to-deposit ratio has risen over the past thirteen quarters (3/31/02-3/31/05), averaging 85.60% for the period. The high loan-to-deposit ratio demonstrates that FNB is an active lender, especially given the volume of mortgage loans sold in the evaluation period.

FNB had a 7.91% deposit market share as of June 30, 2004, ranking it sixth among 32 financial institutions in Chester County. FNB's deposit share in Delaware County is less than one percent. Banks with higher deposit market shares are significantly larger institutions and most have a greater number of branch offices in the AA. FNB had 17 branch offices in the AA as of June 30, 2004.

FNB originated slightly over 1% of all home mortgage loans originated in the AA in both 2002 and 2003, which ranked the bank 17th and 21st among home mortgage lenders for the respective years. Although below the bank's deposit market share, FNB's mortgage lending penetration is reasonable given that all lenders with greater market shares are significantly larger institutions. FNB ranked first among community banks for its market share of home mortgage loans in the AA for both years.

FNB ranked 19th with a market share of .63%, and 16th with a market share of 1.20% among small business lenders in 2002 and 2003, respectively. This is also below the bank's deposit market shares and reflects the dominance of large lenders, particularly credit card companies, which originate small loans to businesses. FNB ranked first among community banks for its market share of small loans to businesses in 2003.

Distribution of Loans by Income Level of the Geography

The overall geographic distribution of home mortgage loans and small loans to businesses is excellent in the AA in light of strong competition from significantly larger financial institutions and 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 .45% of owner-occupied units were located in the geography. Similarly, 70 or .32% of businesses, were located in the low-income census tract based on 2002 data. 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. Home mortgage and small business lending opportunities are also somewhat limited in moderate-income geographies. Approximately 3% of owner-occupied units were in moderate-income geographies, and the percentage of businesses in such geographies was only 3.9% in 2002, and approximately 5% in both 2003 and 2004.

Home Mortgage Loans

Refer to Tables 2, 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.

The overall geographic distribution of home mortgage loans is excellent in the AA, based primarily on home purchase and home improvement lending. In 2002, FNB ranked 35th for home mortgage lending in the low-income geography with a market share of 1.32%. The bank ranked 24th in 2002 and 34th in 2003 for home mortgage lending in moderate-income geographies with market shares of 1.05% and .74% for the respective years. Lending market share information is not yet available for 2004.

Geographic distribution of home purchase loans is excellent based on the bank's overall lending in moderate-income geographies in the AA. For the 2001-2002 evaluation period, FNB originated no home purchase loans in both low- and moderate-income geographies. The extremely low percentage of owner-occupied units in the low-income geography results in very limited opportunities for home purchase lending. This is also reflected in aggregate lending data that shows a total of 35 home purchase loans originated in the low-income geography in 2002. For the 2003 evaluation period, the percentage of home purchase loans originated in moderate-income geographies is near to the percentage of owner-occupied units in such geographies. Similarly, FNB's market share of home purchase loan originations in moderate-income geographies substantially meets its overall market share in 2003. For the 2004 evaluation period, the percentage of home purchase loans originated in moderate-income tracts is high at 18.10%, which significantly exceeds the percentage of owner-occupied units (2.93%) in such geographies.

Geographic distribution of home improvement loans is excellent in the AA. For the 2001-2002 evaluation period, percentages for home improvement loans originated in low-income and moderate-income geographies are near to percentages for owner occupied units for the respective geographies. Moreover, FNB is one of two lenders that originated a home improvement loan in the low-income geography, giving the bank a 50% market share. FNB is ranked 4th with a market share of 6.25% for home improvement lending in moderate-income geographies, which substantially meets its overall market share. For the 2003 evaluation

period, the percentage of home improvement loans originated in moderate-income geographies is also near to the percentage of owner-occupied units in such geographies. The bank is ranked 10th with a market share of 3.08% for home improvement lending which substantially meets its overall market share for 2003. For the 2004 evaluation period, the percentage of home improvement loans originated in moderate-income geographies well exceeds the percentage of owner-occupied units in those geographies.

Geographic distribution of home mortgage refinance loans is good in the AA. For the 2001-2002 evaluation period, no mortgage refinance loans were made in the low-income geography, while in moderate-income geographies the percentage of loans originated were near to the percentage of owner-occupied units in the geographies. As noted previously, opportunities for mortgage refinance loans are impacted by the low percentages of owner-occupied housing in low- and moderate-income geographies. FNB ranked 8th with a market share of 1.45% in moderate-income geographies which exceeds its overall market share for 2002. For the 2003 evaluation period, the percentage of mortgage refinance loans originated in moderate-income geographies is near to the percentage of owner-occupied units. FNB ranked 27th with a market share of .94% which substantially meets its overall market share. For the 2004 evaluation period, the percentage of mortgage refinance loans originated in moderate-income geographies is near to the percentage of owner occupied units in such geographies.

Small Loans to Businesses

Refer to Table 5 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 excellent. As noted previously competition is strong and opportunities are limited for small business lending in low- and moderate-income geographies. For the 2001-2002 evaluation period, the percentage of small loans to businesses in both low-and moderate-income geographies exceeds the percentage of businesses in the respective geographies. FNB's market share of small loans to businesses in moderate-income geographies exceeds its overall market share for 2002. For both the 2003 and 2004 evaluation periods, the percentage of small loans to businesses in moderate-income geographies exceeds the percentage of businesses in such geographies. Market share data for 2003 shows FNB's share of small loans to businesses in moderate-income geographies exceeds its overall market share. Lending market share information is not yet available for 2004.

Small Loans to Farms

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

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

A substantial majority of the home mortgage loans and small loans to business originated by FNB during the evaluation period are within its AA. Ninety percent (90%) of the total number, and 88% of the total dollar volume of home mortgage loans, and 92% of both the total number and dollar volume of small loans to businesses, were originated within the AA.

Distribution of Loans by Income Level of the Borrower

The overall borrower distribution of home mortgage loans and small loans to businesses is excellent in the AA given the strong competition from significantly larger financial institutions for such loans. In addition, home mortgage loan distribution is excellent when considering the affordability of homeownership for a low-income individual in the AA. The average median housing cost for the area based on the 1990 Census was \$164 thousand, increasing to \$187 thousand in the 2000 Census. A low-income individual earns less than \$33,150 based on the updated median family income for the AA of \$66,300. In addition, close to 5% of the households within the AA are below the poverty level and considered very low income.

Home Mortgage Loans

Refer to Tables 6, 7 and 8 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution of home purchase loan originations is excellent. For the 2001-2002 evaluation period, the percentage of loans originated to moderate-income borrowers exceeded the percentage of moderate-income families in the AA, while no home purchase loans were originated to low-income borrowers. As noted above, the average cost of a home in the AA is not easily affordable to low-income individuals. For both the 2003 and 2004 evaluation periods, the percentage of loans originated to low-income borrowers is near the percentage of low-income families, and the percentage of loans originated to moderate-income borrowers substantially exceeds the percentage of moderate-income families in the AA. FNB's market share of home purchase loans to low-income individuals in 2003, and moderate-income individuals in both 2002 and 2003 exceed its overall market share for the respective years.

Borrower distribution of home improvement loan originations is excellent. For the 2001-2002 evaluation period, the percentage of loans originated to low-income borrowers is very near the percentage of low-income families, and to moderate-income borrowers exceeds the percentage of moderate-income families. In 2002, FNB is ranked 3rd in its AA for home improvement loans originated to low-income and to moderate-income borrowers with market shares of 11% and 8%, respectively. For both the 2003 and 2004 evaluation periods, the percentage of home improvement loans originated to low-income borrowers is near to the percentage of low-income families when factoring in the difficulties of owning a home for low-income individuals. The percentage of home improvement loans originated to moderate-income borrowers exceeds the percentage of moderate-income families. FNB's 2003 market share of home improvement loans to low-income borrower is near its overall market share, and to moderate-income borrowers exceeds its overall market share.

Borrower distribution of home mortgage refinance loan originations is excellent. The percentage of home mortgage refinance loans to low-income borrowers is near the percentage of low-income families in each evaluation period, when factoring in the difficulties of owning a home for low-income individuals. The percentage of loans to moderate-income borrowers is

near to the percentage of moderate-income families for the 2001-2002 evaluation period, while loan originations exceed the percentage of moderate-income families in both 2003 and 2004. FNB's market share of home mortgage refinance loans originated to both low- and moderate-income borrower exceeds its overall market share in both 2002 and 2003.

Small Loans to Businesses

Refer to Table 9 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.

Borrower distribution of small loans to businesses is excellent, especially given the strong competition for such loans in the AA. The percentage of small loans to businesses with revenues of \$1 million or less (small businesses) exceeds the percentage of small businesses in the AA for each of the evaluation periods, notably 2001-2002 and 2004. FNB's market share of loans to these businesses exceeds its overall market share in 2002 and 2003. In addition, a majority of the loans are for amounts of \$100,000 or less.

Small Loans to Farms

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

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 lending.

CD lending had a positive impact on the Lending Test. FNB originated two CD loans totaling \$4.96 million during the evaluation period. The bank's CD lending is responsive to AA needs for affordable housing in low- and moderate-income geographies and for low- and moderate-income individuals, and for the revitalization of distressed communities.

FNB provided permanent financing of \$3.47 million for a project that turned an abandon former factory site into 62 apartments for elderly low-income citizens, as well as office space and parking. In a previous period, FNB solely funded a \$3.95 million loan for the construction of this project. This was a significant project and had a revitalizing impact on a moderate-income geography in West Chester. FNB is also an 18% equity investor in this project.

FNB funded a \$1.49 million loan to a local government to finance expenditures incurred by the City's Redevelopment Authority as part of their ongoing mission to redevelop the city by making infrastructure improvements and creating a diverse business district that provides jobs. Three of the four geographies in the city are moderate-income and the Commonwealth of PA has designated the city an "Enterprise Zone."

The loans discussed below have a CD purpose and further support the positive impact of such lending on the Lending Test. Due to the size of each loan, however, they are appropriately reported as small loans to businesses. As such, we do not include these loans in CD lending totals.

FNB provided \$420 thousand in financing to a Redevelopment Authority to assist in the funding of a component of a Revitalization Plan. The project "Downtown Revival" or "Apartments over Commercial," involved the acquisition and renovation of six, strategically located, under-used and deteriorated buildings in the commercial core of the city. These buildings were renovated into 22 apartments and 6 commercial spaces in a moderate-income geography in a designated "Enterprise Zone." The total project cost approximately \$4.3 million, the bulk of the funding was provided by the County of Chester, including a Community Development Block Grant. The PA Department of Community and Economic Development and the FHLB Affordable Housing Program provided additional funding.

FNB provided a \$140 thousand loan to a non-profit entity, that provides housing to low- and moderate-income individuals, for the purchase of a commercial building in Coatesville. This property serves as the headquarters for the agency and is located in a moderate-income geography in the city of Coatesville. The funds were used to purchase and rehab the building. The agency builds homes for economically disadvantaged individuals and sells them to clients at cost. This entity and project have a positive impact on the community from a community development perspective.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the Lending Test conclusion. FNB offers loan products designed to increase the availability and affordability of housing for low- and moderate-income borrowers. The loans extended under these programs in the AA were HMDA reportable and, therefore, considered previously in this evaluation.

FNB's Community Homebuyers, and combined Community Homebuyers and First Time Homebuyers programs are tailored for low- and moderate-income individuals. The Community Homebuyers program increases purchasing power by allowing higher qualifying ratios while decreasing the total amount of cash needed to purchase a home by allowing for a smaller percentage of the down payment to be the borrower's own funds. The remaining down payment can be in the form of a gift, grant or an unsecured loan. Homebuyer education is also available to borrowers in conjunction with this program. The combined Community Homebuyers Program and First Time Homebuyers program includes the added caveat that the potential borrower has not owned the real estate for at least the past three years. FNB originated 189 loans totaling \$22.6 million during the evaluation period under these mortgage loan programs.

FNB is a participating lender in Pennsylvania Housing Finance Agency (PHFA) Single Family Home Ownership Program. The program offers favorable mortgage rates and terms to qualified low- and moderate-income borrowers. FNB began offering PHFA loans in 2003 and originated 51 loans totaling \$6.3 million during the evaluation period.

FNB provides affordable loans for down payment/closing costs assistance, and for home repairs through its partnership with the Housing Partnership of Chester County. The Down Payment/Closing Costs Assistance and Home Rehabilitation programs are offered in conjunction with PHFA first mortgages. In addition, FNB participates in PHFA's Access Modification Program also offered in conjunction with PHFA first mortgages. The program is for persons with disabilities in need of home repairs. FNB began offering loans under these

programs in 2004, originating 8 loans totaling \$73 thousand through year-end.

INVESTMENT TEST

The bank's performance under the Investment Test is rated "High satisfactory." Based on a full-scope review, the bank's performance in the Philadelphia MSA 6160/MD 37964 is good.

Refer to Table 10 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

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

During the evaluation period, FNB made investments and donations totaling \$654 thousand in the AA. FNB made equity investments in four projects that generated 174 total units of affordable housing, an identified need in the AA. The dollar amount of the investments is satisfactory based on the size and capacity of the bank. The following is a discussion of FNB's investments made during the evaluation period.

FNB made an equity investment of \$261 thousand into a townhouse style development to house domestic abuse victims who are single heads of households with children. The project, which is located in West Goshen, Chester County, is being developed by the Domestic Violence Center of Chester County and will contain 13 three-bedroom units. The project qualifies for Federal Low-Income Housing Tax Credits and all units will be made available only to qualified low-income individuals. FNB is a 32.99% Limited Partner committing to a total equity investment of \$401 thousand.

FNB made an equity investment of \$86 thousand into a housing project for the purpose of building/renovating buildings in Coatesville to be used for low-income and elderly individuals. The project qualifies for Federal low-income housing tax credits for equity investors, and is known as Washington Terrace Associates. The project consists of 66 units.

FNB made equity investments of \$120 thousand and \$158 thousand into two low-income housing projects known as Honey Brook Senior Associates and West Chester Senior Associates, respectively, during the evaluation period. Both projects have qualified for Federal low-income housing tax credits for the equity investors. Honey Brook Senior Associates is a converted school building that has been refitted into 33 units for low-income, elderly housing. West Chester Senior Associates is a converted industrial factory in West Chester borough, which has been refitted into a multi-family residential building consisting of 62 units for low-income, elderly housing. This is also a HUD-approved Section 8 housing project.

FNB also made prior period equity investments in three of the four above projects. Prior period equity investments outstanding are \$451 thousand, \$272 thousand and \$123 thousand in Washington Terrace Associates, Honey Brook Senior Associates and West Chester Senior Associates, respectively. FNB took a leadership role for these three ongoing projects by assembling a group of local financial institutions to provide equity investments. Though prior period investments do not receive as much weight as the current rating period, they were considered and add further support for the overall Investment Test rating. When aggregated, current and prior period investments total approximately \$1.5 million.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Outstanding." Based on our full-scope review, the bank's performance in the Philadelphia MSA6160/MD 37964 is excellent.

Retail Banking Services

Refer to Table 11 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 accessible to geographies and individuals of different income levels in the AA. FNB improved accessibility considerably by opening five branches and five ATMs during the evaluation period in their AA. Three of the new branches are full service, while two have limited hours of operation. FNB opened one full service branch in a moderate-income census tract in Coatesville, PA. Coatesville and adjacent South Coatesville account for 50% of the AA's moderate-income geographies. FNB also opened a branch in a middle-income tract that is adjacent to a moderate-income geography in Oxford. Two additional branches are located in a moderate-income geography in West Chester. The distribution of FNB's offices throughout moderate-income geographies exceeds the distribution of the population living in such geographies. Sixteen percent of FNB's branches are in moderate-income geographies, while only 5% of the total population in the AA lives in these geographies. Furthermore, FNB has branches in or adjacent to six of the eight moderate-income geographies in their AA.

FNB now operates nineteen offices throughout its AA, three in moderate-income geographies, three in middle-income geographies and thirteen in upper-income geographies. Thirteen branches, including the three in the moderate-income geographies, are full-service branches. Most full service locations include extended Friday hours and some Saturday hours. Two of the three moderate-income branches have Saturday hours. In addition, FNB opened five ATMs in their AA, all in upper-income geographies. FNB now operates twenty-six ATMs in their AA, eighteen at branch locations and eight stand-alone. One ATM is located in a moderate-income geography. FNB has not closed any branches since the last examination. They closed one ATM located in an upper-income geography. Services do not vary significantly among locations that would inconvenience low-and moderate-income individuals living within the AA. A full line of traditional banking products and services are offered at all branches.

FNB provides bilingual customer service representatives and tellers at some offices located in southern Chester County. Spanish speaking services are an identified need in this portion of the AA. Both the Call Center and the Operations Center are staffed with a bilingual employee to service telephone inquiries. In addition, one teller at the branch located in Kennett Square and one floating teller are fluent in Spanish. The need for bilingual personnel helps the large Spanish speaking community in the southern Chester County area and serves the migratory farm workers. The majority of these migratory farm workers do not speak English. This service is imperative for the Spanish speaking population in conducting their banking needs such as cashing checks, opening savings accounts and purchasing money orders.

Alternative delivery systems include “Bank by Mail,” which is designed for individuals that find it difficult to get to the bank. FNB also offers telephone banking, which allows customers 24-hour access to account, product and rate information. In addition, “NetTeller Internet Banking Services” are available for FNB customers to bank online. FNB also offers low-cost checking products and “loan by phone,” a program via which applicants may apply for consumer loans or obtain loan information over the phone. Since the bank could not provide specific information on how low- and moderate-income individuals and geographies are impacted by the services, significant weight was not placed on alternative delivery systems when drawing Service Test conclusions.

Community Development Services

FNB provides an excellent level of community development services, based on the opportunities for such services within their AA. Fourteen bank officers and employees provide their technical and financial expertise to six separate and qualified not-for-profit community organizations.

Two members of FNB management are actively involved with Habitat for Humanity of Chester County. Habitat is a vital non-profit organization that provides affordable housing for low- and moderate-income individuals. Both individuals are members of the Board of Directors of Habitat. Further, one of these individuals also serves as the Treasurer of the organization.

A bank officer serves on the Housing Authority of Chester County (HACC's) First Time Homebuyers Advisory Committee. HACC provides various housing-related services throughout Chester County aimed largely at aiding low- and moderate-income individuals and geographies. Through participation on this committee and involvement with housing seminars, this individual provides education for potential first time homebuyers. Information presented included the mortgage application process, credit reports, cost of home ownership, etc.

Eight employees have participated in the Housing Partnership of Chester County (HPCC) Credit Program. Through this program they assist individuals and couples that need significant assistance in reorganizing their credit and credit worthiness, establishing and educating them on budgeting their income/expenses, assisting them to work with their creditors, educating them on the importance of financial responsibility, all of this while providing feedback to the HPCP as to their progress.

One bank officer serves as a Board member for the West Chester Business Improvement District (BID). BID's mission is to increase the awareness and visibility of West Chester and to create opportunities for small business owners, including opportunities in the low- and moderate-income section of the borough. As part of this mission, BID recently formed the “Elm Street Program,” which is a part of a statewide program that focuses on the revitalization of residential neighborhoods that border downtown commercial districts. BID recently received a \$75,000 State grant through the New Communities-Elm Street Program. The money will be used to assist in the redevelopment of the East End Neighborhood, which has an 85% poverty level. These funds will help complete projects that will both enhance the livability and reflect the heritage of the neighborhood.

One employee offers consulting services via his role as an active officer for La Comunidad Hispana, Inc. This organization provides services to portions of the AA's Hispanic population, which is largely comprised of low- and moderate-income individuals. The majority of their

clientele are from Mexico with little or no knowledge or experience with banks and other financial services. Services include guidance regarding healthcare, basic banking concepts/needs, English classes as a second language, and various other social services.

One employee provided financial and technical expertise by serving on the Board of Directors of the Penn Mezzanine Fund during the evaluation period. This fund specifically provided small loans to businesses for needful entities located within the bank's AA and throughout other portions of southeastern Pennsylvania.

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 (excludes CD Loans): July 1, 2001 to Dec. 31, 2004 Investment Test, Service Test, and CD Loans: December 4, 2001 to May 23, 2005	
Financial Institution	Products Reviewed	
First National Bank of Chester County (FNB) West Chester, PA	Home Mortgages, Small Loans to Businesses, CD Loans, and Qualified Investments	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None.	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Includes portions of Philadelphia MSA 6160 within the Philadelphia-Wilmington-Atlantic City CMSA as defined by the 1990 Census, and 2000 Census. Includes portions 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.	Full Scope	None

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

<i>Philadelphia MSA 6160 for FNB – 1990 Census Data.....</i>	<i>B -2</i>
<i>Philadelphia MSA 6160 for FNB – 2000 Census Data.....</i>	<i>B -4</i>
<i>Philadelphia MD 37964 for FNB – 2000 Census Data.....</i>	<i>B -5</i>

Philadelphia MSA 6160 for FNB – 1990 Census Data

Demographic Information for Full-Scope Area: Philadelphia MSA 6160 for FNB						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	122	0.82	6.56	36.07	50.82	5.74
Population by Geography	404,481	0.75	4.57	33.65	60.73	0.29
Owner-Occupied Housing by Geography	106,369	0.45	3.16	32.06	64.31	0.01
Businesses by Geography	43,551	0.32	3.90	26.24	69.48	0.06
Farms by Geography	1,282	0.00	4.29	42.51	53.20	0.00
Family Distribution by Income Level	106,878	10.64	13.91	21.58	53.87	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	26,239	1.86	9.59	48.41	40.14	0.00
Median Family Income = \$41,908		Median Housing Value = \$163,688				
HUD Adjusted Median Family Income for 2002 = \$63,300		Unemployment Rate = 3.8%				
Households Below the Poverty Level = 4.48%						

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

FNB’s AA consists of all of Chester County and a small portion of northwestern Delaware County. These counties are part of Philadelphia MSA (MSA 6160), which changed to the Philadelphia MD (MD 37964) beginning with 2004 due to new MSA definitions and boundaries. Based on 1990 Census information, the AA contains 122 census tracts of which one is low-income, eight moderate-income, 44 middle-income and 62 upper-income. The one low-income and four of the moderate-income census tracts are located in Coatesville, Chester County. 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 table. In Chester County, FNB’s deposit market share is 7.91% as of June 30, 2004, ranking it sixth among 32 financial institutions. The bank’s market share in Delaware County is less than one percent. FNB currently operates nineteen full service branch offices, seventeen of which are located in Chester County and two in Delaware County. ATMs are offered at seventeen branch locations, along with nine remote locations. Competition for both loans and deposits is intense in FNB’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).

FNB offers a traditional line of loan and deposit products and services. 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 include the Vanguard Group, QVC Network, county governments, school districts, universities, hospitals and healthcare related organizations.

Opportunities for CD lending, qualified investments and CD services exist within the AA, but are not numerous. During our examination, we contacted one community group. Our 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 our 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. Our contact specifically mentioned FNB for its active participation in the organization's affordable mortgage and home rehabilitation loan programs, and credit counseling sessions for low- and moderate-income borrowers. Also, based on other sources, funding is needed for revitalization efforts in the AA's distressed communities.

Philadelphia MSA 6160 for FNB – 2000 Census Data

Demographic Information for Full-Scope Area: Philadelphia MSA 6160 for FNB						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	121	0.00	6.61	33.88	57.85	1.65
Population by Geography	469,357	0.00	5.03	28.82	65.47	0.69
Owner-Occupied Housing by Geography	130,088	0.00	2.93	27.82	69.25	0.00
Businesses by Geography	43,597	0.00	4.88	21.40	73.70	0.02
Farms by Geography	1,510	0.00	2.71	32.98	64.30	0.00
Family Distribution by Income Level	122,618	10.71	12.85	19.84	56.60	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	28,891	0.00	11.45	42.09	46.46	0.00
Median Family Income	= \$58,395	Median Housing Value		= \$187,296		
HUD Adjusted Median Family Income for 2003	= \$68,200	Unemployment Rate		= 3.8%		
Households Below the Poverty Level	= 4.86%					

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

The above chart reflects updated demographic information based on 2000 Census information. FNB’s performance in 2003 is compared to this information. The AA contains 121 census tracts eight of which are moderate-income, 41 middle-income and 70 upper-income. Major changes relative to the 1990 Census are reclassifications of the only low-income census tract (3056.00 – Coatesville City) to moderate-income, two moderate-income census tracts to middle-income (3064.00 – Avondale Borough, and 3082.00 – West Nottingham), and eight census tracts to upper-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.

Philadelphia MD 37964 for FNB – 2000 Census Data

Demographic Information for Full-Scope Area: Philadelphia MD 37964 for FNB						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	121	0.00	6.61	30.58	61.16	1.65
Population by Geography	469,537	0.00	5.03	24.90	69.36	0.69
Owner-Occupied Housing by Geography	130,088	0.00	2.93	23.41	73.66	0.00
Businesses by Geography	43,897	0.00	5.16	18.76	76.05	0.03
Farms by Geography	1,519	0.00	2.63	28.04	69.32	0.00
Family Distribution by Income Level	122,618	10.38	12.55	19.41	57.66	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	28,113	0.00	11.59	37.48	50.94	0.00
Median Family Income	= \$56,993	Median Housing Value		= \$187,296		
HUD Adjusted Median Family Income for 2004	= \$66,300	Unemployment Rate		= 3.2%		
Households Below the Poverty Level	= 4.86%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, 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. FNB’s performance in 2004 is compared to this information. The AA contains 121 census tracts of which eight are moderate-income, 37 middle-income, and 74 upper-income. The major change that resulted from OMB’s revisions is the reclassification of four middle-income census tracts to upper -income. There were no changes to census tracts designated as moderate-income.

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: 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. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

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, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- 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 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 6. 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 7. Borrower Distribution of Home Improvement Loans** - See Table 6.
- Table 8. Borrower Distribution of Refinance Loans** - See Table 6.
- Table 9. 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 10. 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 with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.
- Table 11. 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: FNB CHESTER COUNTY AA						Evaluation Period: July 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)	
Full Review:												
FNB Chester County AA (2002)	100.00	753	74,782	295	50,503	0	0	1	1,488	1,049	126,773	100.00
FNB Chester County AA (2003)	100.00	703	86,343	319	57,006	0	0	0	0	1,022	143,349	100.00
FNB Chester County AA (2004)	100.00	525	62,304	234	40,416	0	0	1	3,475	760	106,195	100.00

* 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 December 4, 2001 to May 23, 2005.

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

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE															Geography: FNB CHESTER COUNTY AA					Evaluation Period: July 1, 2001 to December 31, 2004				
MA/Assessment Area:	Total Home Purchase 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									
Full Review:																								
FNB Chester County AA (2002)	52	100.00	0.45	0.00	3.16	0.00	32.07	40.38	64.32	59.62	0.28	0.00	0.00	0.44	0.23									
FNB Chester County AA (2003)	55	100.00	0.00	0.00	2.93	1.82	27.82	23.64	69.25	74.55	0.37	0.00	0.18	0.31	0.41									
FNB Chester County AA (2004)	116	100.00	0.00	0.00	2.93	18.10	23.41	29.31	73.66	52.59	NA	NA	NA	NA	NA									

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

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase 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 the number of owner occupied housing units in the area based on 1990 and 2000 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT															
Geography: FNB CHESTER COUNTY AA															
Evaluation Period: July 1, 2001 to December 31, 2004															
MA/Assessment Area:	Total Home Improvement 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
Full Review:															
FNB Chester County AA (2002)	264	100.00	0.45	0.38	3.16	3.03	32.06	23.11	64.31	73.11	6.95	50.00	6.25	5.06	7.94
FNB Chester County AA (2003)	123	100.00	0.00	0.00	2.93	1.63	27.82	21.95	69.25	76.42	4.05	0.00	3.08	2.76	4.71
FNB Chester County AA (2004)	105	100.00	0.00	0.00	2.93	6.67	23.41	21.90	73.66	71.43	NA	NA	NA	NA	NA

* Based on 2002 and 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 and 2000 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE Geography: FNB CHESTER COUNTY AA Evaluation Period: July 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
Full Review:															
FNB Chester County AA (2002)	437	100.00	0.45	0.00	3.16	2.29	32.07	20.59	64.31	76.89	1.26	0.00	1.45	1.06	1.33
FNB Chester County AA (2003)	525	100.00	0.00	0.00	2.93	1.71	27.82	21.91	69.25	76.38	1.07	0.00	0.94	1.07	1.07
FNB Chester County AA (2004)	304	100.00	0.00	0.00	2.93	2.30	23.41	17.11	73.66	80.59	NA	NA	NA	NA	NA

* Based on 2002 and 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 and 2000 Census information.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES															Geography: FNB CHESTER COUNTY AA					Evaluation Period: July 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	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp							
Full Review:																								
FNB Chester County AA (2002)	295	100.00	0.32	0.34	3.90	8.81	26.24	37.29	69.48	53.56	0.63	0.00	1.43	0.77	0.54									
FNB Chester County AA (2003)	319	100.00	0.00	0.00	4.88	6.90	21.40	23.82	73.70	69.28	1.20	0.00	1.31	1.04	1.36									
FNB Chester County AA (2004)	234	100.00	0.00	0.00	5.16	5.56	18.76	24.79	76.05	69.66	NA	NA	NA	NA	NA									

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

** 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 and 2003.

Table 6. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: FNB CHESTER COUNTY					Evaluation Period: July 1, 2001 to December 31, 2004					Market Share				
MA/Assessment Area:	Total Home Purchase 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****						
Full Review:																
FNB Chester County AA (2002)	52	100.00	10.64	0.00	13.91	17.39	21.58	30.43	53.87	52.17	0.31	0.00	0.34	0.44	0.27	
FNB Chester County AA (2003)	55	100.00	10.71	6.00	12.85	20.00	19.84	16.00	56.60	58.00	0.42	0.57	0.53	0.26	0.45	
FNB Chester County AA (2004)	116	100.00	10.38	7.27	12.55	30.00	19.41	24.55	57.66	38.18	NA	NA	NA	NA	NA	

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

** As a percentage of loans with borrower income information available. No information was available for 11.5%, 9.1% and 5.2% of loans originated and purchased by Bank in 2002, 2003 and 2004, respectively.

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

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

Table 7. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: FNB CHESTER COUNTY					Evaluation Period: July 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****						
Full Review:																
FNB Chester County AA (2002)	264	100.00	10.64	10.31	13.91	16.03	21.58	28.63	53.87	45.04	7.34	10.86	8.27	8.99	5.91	
FNB Chester County AA (2003)	123	100.00	10.71	5.88	12.85	18.49	19.84	27.73	56.60	47.90	4.04	3.24	4.81	4.45	3.72	
FNB Chester County AA (2004)	105	100.00	10.38	4.08	12.55	17.35	19.41	25.51	57.66	53.06	NA	NA	NA	NA	NA	

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

** As a percentage of loans with borrower income information available. No information was available for 3.7%, 3.3% and 6.7% of loans originated and purchased by Bank in 2002, 2003 and 2004, respectively.

*** Percentage of Families is based on the 1990 and 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 8. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE															Geography: FNB CHESTER COUNTY					Evaluation Period: July 1, 2001 to December 31, 2004				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share													
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp									
Full Review:																								
FNB Chester County (2002)	437	100.00	10.64	5.23	13.91	12.35	21.58	21.14	53.87	61.28	1.45	2.99	1.84	1.55	1.30									
FNB Chester County (2003)	525	100.00	10.71	6.22	12.85	17.07	19.84	24.90	56.60	51.81	1.21	2.13	1.63	1.30	1.03									
FNB Chester County (2004)	304	100.00	10.38	5.70	12.55	16.11	19.41	27.85	57.66	50.34	NA	NA	NA	NA	NA									

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

** As a percentage of loans with borrower income information available. No information was available for 0.8%, 5.1% and 2.0% of loans originated and purchased by Bank in 2002, 2003 and 2004, respectively.

*** Percentage of Families is based on the 1990 and 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 9. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: FNB CHESTER COUNTY			Evaluation Period: July 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
Full Review:									
FNB Chester County AA (2002)	295	100.00	56.76	84.07	52.20	24.07	23.73	0.63	1.79
FNB Chester County AA (2003)	319	100.00	61.15	62.38	52.98	24.14	22.88	1.20	2.22
FNB Chester County AA (2004)	234	100.00	62.73	71.79	57.69	19.66	22.65	NA	NA

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

** 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 (Source D&B - Year).

**** 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 0.00%, 0.63% and 2.14% of small loans to businesses originated and purchased by the Bank in 2002, 2003 and 2004, respectively.

Table 10. Qualified Investments

QUALIFIED INVESTMENTS		Geography: FNB CHESTER COUNTY				Evaluation Period: December 4, 2001 to May 23, 2005			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
FNB Chester County AA	3	874	27	654	30	1,528	100.00	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 11. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM & BRANCH OPENINGS/CLOSINGS Geography: FNB CHESTER COUNTY Evaluation Period: December 4, 2001 to May 23, 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
Full Review:																	
FNB Chester County AA	100.00	19	100.00	0.00	15.79	15.79	68.42	5	0	0	+1	+2	+2	0.00	5.03	24.90	69.38

