

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Dauphin Deposit Bank And Trust Company** by the Federal Reserve Bank of Philadelphia, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **June 24, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after that date.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates.

The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall; (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and; (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub.L.No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards.

Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 4 performance categories, as detailed in the following section of this evaluation

ASSIGNMENT OF RATING

Identification of Possible Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

INSTITUTION'S RATING:

This institution is rated **Outstanding** based on the findings presented below:

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

CONCLUSION/SUPPORT

The institution has an outstanding record of determining the credit needs of its local community, including low- and moderate-income neighborhoods. In order to maintain an awareness of such credit needs, the directors, officers, and employees of the bank have established and maintained ongoing, productive, and substantive contacts and communications with a significant number of small business, governmental, religious, minority, and civic organizations which are located within its market area. Additionally, substantial efforts have been initiated through the bank's lending and operational activities to determine and respond to community credit needs. Such ascertainment efforts are well-documented in DDBT's CRA public file through internal memoranda on civic activities and correspondence or comments from community organizations, customers and other interested parties. Within the counties that comprise the bank's delineation, the following business associations, neighborhood organizations and financial intermediaries have been regularly contacted in order to facilitate ascertainment efforts.

Adams County

Adams County Housing Authority
Adams County Habitat for Humanity
South Central Community Action Programs
Main Street Program - Gettysburg
Interfaith Housing Authority

Berks County

Berks Community Action Program
Berks County Minority Business Development Council
Berks Housing Opportunities One Incorporated
Greater Berks Development Fund
Neighborhood Housing Services

Cumberland County

Habitat For Humanity
Shippensburg Community Action Commission

DISCUSSION OF INSTITUTION'S PERFORMANCE (continued)

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS (continued)

Dauphin County

Dauphin County Office of Economic Development
Harrisburg Fair Housing Council
South Central Pennsylvania Development Foundation

Franklin County

Franklin County Area Agency on Aging
Franklin County Habit for Humanity
Financial Counseling Services of Franklin County
Waynesboro Area Human Services Agency
Chambersburg Community Development Corporation

Lancaster County

Lancaster Area Mortgage Plan
Lancaster Enterprise Incorporated
Partners for Affordable Housing
Spanish American Civic Association
Tabor Community Services

Lebanon County

Lebanon County Housing Authority

Lehigh County

Community Action Committee of the Lehigh Valley
Lehigh Valley Loan Pool
Lehigh Valley Mortgage Plan

York County

Minority Business Finance Corporation
Office of Minority Business Development

To support DDBT's credit ascertainment methods, advisory committees have been established in each bank division to encourage an ongoing dialogue between bank officials and housing advocacy organizations, economic development agencies, human service providers, and business and government representatives. The members of the advisory committees are selected from community residents that have varied educational, social and economic backgrounds. Information from the committees is utilized to provide senior management with a perspective on current issues such as housing, employment, and local credit needs.

DISCUSSION OF INSTITUTION'S PERFORMANCE (continued)

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS (continued)

Standard demographic analysis techniques, surveys, questionnaires, outreach activities, and other dynamic methods are regularly employed by bank management to develop community profiles, and evaluate the differing needs within various segments of the delineated community. Such ascertainment methods include the use of regular discussions with customers regarding bank efforts to identify and respond to unmet or specific credit or banking needs. Accordingly, the following activities have been conducted.

Customer Focus Groups - A cross-section of bank customers is periodically solicited to determine if certain types of credit or banking products are required. The participants are queried as to whether the bank has efficiently provided its current services, and what methods, if any, may be employed to enable the bank to continue to provide a high level of service to its customers.

Employee Focus Groups - Employees discuss the bank's offered services to identify specific areas which can be improved through training programs and also suggest methods that will improve the overall level of service to bank customers.

Closed Account Surveys - Customers that close checking accounts receive a questionnaire which solicits responses regarding their decision to terminate the banking relationship. The information is utilized to improve deposit products or to enhance customer service training programs.

Branch Office Review - Periodically, the bank utilizes a Mystery shopper program to determine the quality and consistency of customer service that is provided through its branch banking offices. The information obtained from these reviews, enables the bank to correct operational deficiencies and, if necessary, develop additional products or banking services.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act.

CONCLUSION/SUPPORT

CRA performance is a demonstrated and important component of the directorate's planning process. The board of directors reviews and approves the CRA statement on an annual basis with the most recent review conducted on May 19, 1995. The board and senior management evidence a strong commitment when developing and initiating CRA policies and programs. The CRA program contains goals and objectives that have been clearly stated in an actionable manner with respect to marketing, product development, and community development efforts. A review of director's minutes revealed a personal involvement in bank lending programs and community activities which indicates that the CRA is an integral part of the bank's business focus. The board receives periodic and comprehensive presentations regarding the bank's CRA program which includes a review of the data contained in its Home Mortgage Disclosure Act report and a comparison of the bank's CRA performance with other peer lending institutions. Overall, the board projects a positive and corporate-wide attitude (continued)

DISCUSSION OF INSTITUTION'S PERFORMANCE (continued)

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS (continued)

regarding CRA, which is communicated to all levels of the organization and appears to be ingrained in the bank's staff as being an effective means of conducting business, while maintaining the objectives of meeting the credit and banking needs within its delineated community.

II. MARKETING AND TYPES OF CREDIT EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

CONCLUSION/SUPPORT

DDBT engages in extensive advertising, marketing and outreach efforts and programs in order to promote its products to all segments of the community. Management has developed a sound, comprehensive, and effective process whereby the bank's marketing and advertising programs are periodically reviewed, approved, and monitored. Information is extensively disseminated through all forms of media to address the ethnically and culturally diverse populations that are contained within its delineated communities. The majority of the loan advertisements focus on installment, mortgage, and small business lending and are designed to stimulate and improve community awareness of relevant credit services and programs. Additionally, advertisements that promote banking services are printed in English and Spanish. Advertisements and marketing campaign documents are internally reviewed by the legal and compliance staff to ensure compliance with applicable laws and regulations. To provide credit and banking information to community residents, a variety of broad-based and specially-targeted forms of marketing techniques are utilized which include: community seminars, direct and targeted mailings, statement stuffers, brochures, lobby signs, billboards, neighborhood and ethnic newspapers, radio, and television.

In an effort to develop innovative and creative services and to increase the customer-base of the bank, management has developed the following deposit products that will expand the availability and access to banking services within its delineated community.

C BankLine

This bank service allows customers to transact business on a 24-hour basis. A toll-free number allows customers to obtain information regarding account balances, checks paid, ATM withdrawals, and the amount and date of prior deposits.

C EconoChecking Account

The account permits a customer to write a limited amount of checks per month. No minimum balance is required and the monthly maintenance cost is \$1.00 per month with check safekeeping.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT EXTENDED (continued)

C Small Business Checking

This product was designed to provide small business customers with a product which incorporates simplicity, convenience and value. The bank recently introduced commercial overdraft protection for customers with business checking accounts and commercial lines of credit. This new feature allows companies to avoid overdraft fees or the necessity of replacing returned checks by linking a checking account to a commercial line of credit. The product was designed to expand the bank-s commercial banking services and help businesses avoid any delay associated with returned checks.

As community needs are identified and considered, the bank has affirmatively endeavored to offer residential, housing rehabilitation, home improvement and small business loans that are responsive to the common and unique credit needs of its various market segments which include low- and moderate- income neighborhoods. The following activities or loan programs are a representative sample of the bank's efforts:

- C Capital Region Lender-s Coalition, Harrisburg - The bank is a founding member of this organization which is comprised of several local financial institutions. The coalition has developed a loan pool to encourage the development and growth of small and minority-owned businesses.
- C Capital Area Minority Development Corporation (CAMCO), Harrisburg -The organization provides entrepreneurial training for potential and new small business owners. The bank supports the programs of CAMCO by providing in-kind and financial contributions. The bank is also a participant in a lenders consortium that was created to develop a loan pool to assist qualified applicants.
- C Spanish American Civic Association (SACA) - The bank and SACA have developed programs to finance the rehabilitation of properties in a low-income geography located in the southeast section of Lancaster. SACA purchases single-family dwellings from HUD, which are renovated and rented to low-income families. Bank employees have also conducted educational seminars for SACA to provide community residents with information regarding the availability and qualifying criteria for government-sponsored subsidized or affordable housing programs.
- C Berks Minority Development Council (Berks MINDCO), Reading - The bank has taken a leadership role in the development of Berks MINDCO, an organization that was created to foster an environment for the development of minority entrepreneurship. The program offers training and assistance in four areas that are vital to the success of an emerging business-- education, mentoring, financing and contract procurement.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT EXTENDED (continued)

C Home Buyer Education - The bank has sponsored home ownership counseling programs which offer information and assistance to low- and moderate-income home mortgage applicants. Specifically, the programs enable an applicant to establish and maintain a credit history and personal budgeting techniques. The programs have been conducted through community-based organizations such as the Cumberland County Home Buyer's Coalition, the Harrisburg Fair Housing Council, Partners for Affordable Housing- Lancaster, the Lancaster Housing Opportunities Program, the Financial Counseling Services of Franklin County, the Housing Council of York, and the South Central Community Action Program - Adams County. The bank has provided guest speakers, course materials and brochures.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans and small business or small farm loans within its community, or the purchase of such loans originated in its community.

CONCLUSION/SUPPORT

The CRA statement is generally inclusive of CRA-related activities that illustrate its performance under the Act and contains information regarding bank policies, programs, and efforts to ascertain and provide products and services that meet the credit needs of its delineated community. The following credit products are offered in the bank's most recent CRA statement:

- | | |
|-------------------------|--------------------------|
| C Residential Mortgages | C Home improvement Loans |
| C Small Business Loans | C Municipal Loans |
| C Home Equity Loans | C Floor Plan Loans |
| C Agricultural Loans | C Commercial Loans |
| C Lines of Credit | C Commercial Mortgages |
| C Term Loans | |

An analysis of the type and composition of the institution's loan portfolio as contained in the bank's Uniform Bank Performance Report as of December 31, 1995, revealed that the bank has, in most instances, exceeded the categorical average of its peer group. Peer data refers to all insured commercial banks having assets between \$3 billion and \$10 billion.

<u>Loan Category</u>	<u>Bank</u>	<u>Peer</u>
Construction and development	4.3%	2.8%
One- to four-family residential	30.6%	24.2%
2.9% Real estate loans (other types)	19.0%	14.4%
1.2% 1.1%		
Non-farm/Nonresidential loans	17.0%	12.6%
Loans 21.9% 20.9%		
Loans to Individuals	16.2%	20.0%
		Home equity loans 5.6%
		Multi-family home loans
		Commercial and Industrial

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT EXTENDED (continued)

According to the June 30, 1996 Uniform Bank Performance Report (UBPR), the bank-s loan-to-deposit ratio equaled 79.7% compared to a peer average of 90.1%. The following chart depicts the loan-to-deposit ratios, asset growth rates, and net loan growth for a three-year period.

	12/31/95	12/31/94	12/31/93
Loan to Deposit	76.5%	81.5%	70.3%
Asset Growth	3.8%	28.2%	1.9%
Net Loan Growth	5.5%	45.9%	8.7%

The increase in the asset and loan growth rates during 1994 is due, in part, to the bank-s acquisition of EMS (refer to: **Marketing and Types of Credit Extended**).

The following chart depicts the institution-s quarterly loan to deposit ratios since March 1995:

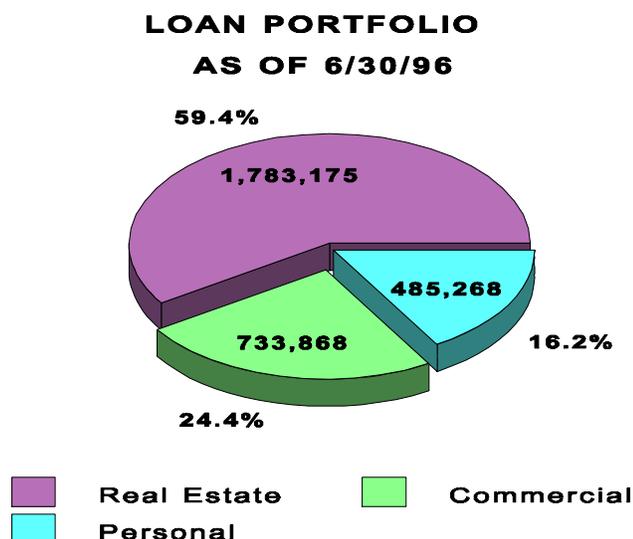
AS OF	TOTAL LOANS	DEPOSITS	RATIO
3/31/95	\$2,912,160	\$3,551,780	81.9%
6/30/95	\$3,002,672	\$3,824,309	78.5%
9/30/95	\$3,147,375	\$3,839,235	81.9%
12/31/95	\$3,065,457	\$3,953,182	77.5%
3/31/96	3,094,627	\$3,934,887	78.6%
6/30/96	\$3,196,995	\$3,955,636	80.8%

As noted in the chart, the bank has maintained a balance sheet composition during the period reflects a generally consistent loan-to-deposit ratio. This relationship appears reasonable, considering seasonal variations, the overall lending objectives of the bank, its asset-size, current financial condition, and identified credit needs within the delineation.

The Uniform Consolidated Statement of Condition and Income as of June 30, 1996 revealed total assets of \$5.5 billion, \$3.1 billion or 57.7% of which were loans. An analysis of the loan portfolio composition revealed that loans secured by residential real estate and commercial loans, accounted for a majority of the number of loans outstanding, with consumer loans comprising the balance of the portfolio.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT EXTENDED (continued)



Eastern Mortgage Services

The overall lending efforts of DDBT are enhanced by its wholly-owned subsidiary Eastern Mortgage Services, Inc. (EMS). EMS is a Pennsylvania mortgage banking corporation which originates, services and sells first and second-lien residential mortgage loans. EMS was acquired by DDBT on July 1, 1994. Since the acquisition, EMS has improved its loan origination system, added procedures to increase loan approval rates, and utilized its computer system to consolidate and monitor loan operations and services. Loan originations in 1995 increased by 76% from 1994 as the company increased its wholesale origination division by 40%. EMS has now increased its ranking from 123rd to 85th among national mortgage originators. With loan approval cycle times significantly reduced by technology and process redesign, EMS has become an integral part of the financial services delivery system of the bank. Additionally, the company has fully accessed the mortgage opportunities that exist in the south central portion of Pennsylvania through the branch banking system of the bank.

The service area of EMS comprises 511 census tracts, 96 or 19% of which are designated as low-to moderate-income tracts as defined by HUD. The following chart summarizes the primary market population of EMS:

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT EXTENDED (continued)

Eastern Mortgage Services (continued)

EASTERN MORTGAGE SERVICES	NUMBER	PERCENTAGE
Low/Mod Income Census Tract Population	305,225	13.4%
Middle Income Census Tract Population	1,637,111	71.7%
Upper Income Census Tract Population	339,650	14.9%
Market Population	2,281,986	100%

Table 1-A-B 1995(HMDA Analysis Reports)

The number of loans originated by EMS has significantly increased. The total year to date (6/30/96) originations exceed the amount of loans extended for 1995 by 55%. It is anticipated that the increased number of loans will encompass and benefit a greater portion of the delineated community, which includes low- and moderate-income communities.

	NUMBER		PERCENT OF TOTAL	
	1995	1996	1995	1996
Total Applications	553	996		
Loans Originated	461	825	83.36%	82.83%
Not Accepted	12	19	2.17%	1.91%
Declined	59	121	10.67%	12.15%
Withdrawn	19	15	3.44%	1.51%
Closed Incomplete	2	15	0.36%	1.51%
Purchased	0	1	0.00%	0.10%

HMDA Performance Trends - Table I (Eastern Mortgage Services)

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.

CONCLUSION/SUPPORT

DDBT regularly takes a leadership role in meeting community credit needs through proactive participation in various governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses, small farms and rural development:

- C As a member of the Federal Home Loan Bank of Pittsburgh (FHLBP), the bank may utilize FHLBP as a short-term or long-term funding source and access the Affordable Housing and the Community Investment programs, sponsored by FHLBP.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT EXTENDED (continued)

The Housing Authority of Dauphin County is providing 18 public housing units to eligible low income families. These properties are single family dwellings owned by the Authority. The Authority will upgrade or rehabilitate the properties and at the time of sale, each of the properties will be able to pass a comprehensive HUD Housing Quality Standard inspection. In addition, all major systems will be in new or recently renovated/improved condition. Proceeds from the sale of the properties will be used to purchased other properties for resale to low income families. Several Banks, including Dauphin Deposit Bank is actively involved with the Authority in this project and are willing to assist low-income individuals to qualify for below market rate, 30-year fixed mortgages.

C Redevelopment Authority of York

DDBT is involved on an ongoing basis with the Adopt-A-House program, which promotes the rehabilitation of housing in low- to moderate-income geographies within the city of York. The bank advances interest-free funds to rehabilitate a house, and when the property is sold, the funds are reinvested into another property.

C Housing Development Corporation, Lancaster - A consortium of eight banks, including the subject bank, were equity investors in an \$8.3 million renovation of the century-old Umbrella Works building in Lancaster, Pa. This vacant five-story building, in downtown Lancaster, was renovated in 1993 into 83 apartments with ground floor commercial offices. The funding for the project was received from a variety of sources including historic tax credits, low- income housing tax credits, and Pennsylvania Enterprise Zone tax credits. Additional funding was received through the Community Investment Program of the Federal Home Loan Bank of Pittsburgh, the Pennsylvania Housing Finance Agency, the Pennsylvania Department of Community Affairs, and the city of Lancaster.

C Since December 1993, the bank has extended over \$2 million in loans guaranteed by the U.S. Small Business Administration (SBA).

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

REASONABLENESS OF COMMUNITY DELINEATION

CONCLUSION/SUPPORT

Dauphin Deposit Bank and Trust Company (DDBT), founded in 1835, operates 104 branches in nine Pennsylvania counties and is the principal subsidiary of Dauphin Deposit Corporation, headquartered in Harrisburg, PA. A full range of financial services is offered at its offices and its 87 automated teller machines (ATMs) are generally available to the public on a 24-hour basis and are linked to the Money Access Card system, a nationwide ATM network.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (continued)

The bank utilized its effective lending territory, in conjunction with existing geographic and natural boundaries, as the basis for determining its delineation. The 1995 CRA statement presents a delineated community that includes the following counties: Adams, Berks, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, and York. The delineation also includes a portion of Lehigh County. The delineation also includes portions of five Metropolitan Statistical Areas (MSA): Harrisburg-Lebanon-Carlisle, Allentown-Bethlehem-Easton, Lancaster, Reading, and York. The delineation contains 432 census tracts, 82 or 19 % of which, are designated as low- to moderate-income by the U.S. Department of Housing and Urban Development (HUD).

The delineation is considered reasonable as it meets the purposes of CRA, and does not arbitrarily exclude any low- to moderate-income geographics. Ample evidence supports the reasonableness of the delineation and examination findings confirm that the delineation accurately represents DDBT-s primary lending area.

Assessment Factor E - The geographic distribution of the institution-s credit extensions, credit applications and credit denials.

CONCLUSION/SUPPORT

As part of its ongoing CRA planning and self-evaluation process, the board of directors and senior management periodically review internally prepared demographic studies and geographic analyses that profile DDBT-s geographic lending patterns. Such reviews, enable management to promptly identify and address any geographies within its delineation that have a documented pattern of comparatively low levels of lending. Management may then implement various types of proactive lending initiatives or establish loan policies, products, or services to increase loan penetration throughout the delineation to ensure that no segments receive disparate treatment or are excluded from such fundamental economic opportunities, as home ownership or access to traditional bank deposit services.

As previously noted under Reasonableness of Community Delineation, the bank-s nine-county delineation includes 432 census tracts, 82 or 19 % of which have been designated as low- to moderate-income by HUD. The following chart summarizes the market population, within the delineation:

	NUMBER	PERCENTAGE
Low/Mod Income Census Tracts	243,754	12.6%
Middle Income Census Tract	1,402,705	72.4%
Upper Income Census Tract	290,404	15.0%
Total Market Population	1,936,863	100%

Borrower incomes are categorized as follows based on a median family income of \$37,389 for the Harrisburg/ Lebanon / Carlisle Metropolitan Statistical Area (MSA) in which the bank is based:

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (continued)

Low Income: Less than 50% of the MSA Median Family Income:
Less than \$18,694

Moderate Income: 50% to 80% of the MSA Median Family Income:
\$18,694 to \$29,911

Middle Income: 80% to 120% of the MSA Median Family Income:
\$29,911 to \$44,867

Upper Income: Greater than 120% of the MSA Median Family Income:
Greater than \$44,867

HMDA data compiled for 1994 and 1995 was reviewed to determine the number and percentage of loans extended by the bank to communities within its delineation. The data is summarized on the following charts:

	LOANS INSIDE AND OUTSIDE OF BANK-S DELINEATION	
	Number	Percent
Inside	1,009	78.5%
Outside	276	21.5%
Total Loans Originated 1994	1,285	100.00%

1995 HMDA DATA

	LOANS INSIDE AND OUTSIDE OF BANK-S DELINEATION	
	Number	Percent
Inside	2,479	80.6%
Outside	597	19.4%
Total Loans Originated 1994	3,076	100.00%

1994 HMDA DATA

As noted in the charts, a significant percentage of the bank-s originated residential real estate loans were extended within the bank-s delineation for 1994 and 1995.

Following a review of the bank-s internally prepared reports, 1994 and 1995 HMDA data, articulated lending standards, and a sample of approved and declined consumer and commercial loans, it was determined that DDBT has made a substantial portion of its credit extensions within its overall defined market. Although a low loan penetration rate may occur in some communities within the (continued)

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (continued)

delineation, this may be attributed to a single factor or a combination of factors such as: the bank's share of the market; the varying demands for consumer or other types of credit products or the limited number of branch offices located within a specific census tract or community. Despite these factors, management has developed competitively-priced loan products, reviewed its loan declination policies and procedures, assessed new sites for ATM locations, and increased its community outreach efforts.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Branch Reconfiguration Program

DDBT continues to engage in a branch reconfiguration program that was implemented during 1991. The program consists of replacing older, full-service branch offices in with strategically placed, full-service branches or mini-branches (located in shopping centers or malls). Over a four-year period (1992-1995), the program has resulted in the closures of of thirteen branches, the sale of two branches, the opening of two new branches and a change in the hours of operation at two branches. These changes have been made throughout the delineation and have encompassed urban, suburban, and rural branch offices. In each instance, measures were initiated to ensure that other convenient branch sites were available for customer usage.

Prior to the closing of any branch office, management assesses the potential effect on its ability to continue to offer an appropriate level of services within the community. Moreover, to minimize or eliminate any adverse effects that the discontinuance of a deposit facility would have on a neighborhood, an assessment is made regarding the concerns that are obtained from consultations with members of the community. If necessary, a study of alternative banking methods is conducted. Management has developed an extensive policy with regard to the closing of branch banking offices which contains the following criteria and considerations:

- C Demographic considerations
- C Branch profitability
- C Effect on the community and an assessment of the comparable banking services available to the community
- C The policy also states that bank customers and identified community and government leaders will be provided with timely notification of a branch closing. Information will be provided that describes services available at other proximate offices or the possible provision of alternate services such as an ATM machine. The bank will also attempt to locate purchasers or tenants for facilities no longer deemed desirable for usage by the bank.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (continued)

C Physical condition/Renovation costs of acquired or existing branch offices

To date, the institution's record of consolidation or closure of offices has not had an adverse effect on local communities within its delineation.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for the types of credit set forth in the institution's CRA Statement(s).

CONCLUSION/SUPPORT

The institution generally solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. The board of directors and senior management have developed and implemented comprehensive consumer and commercial loan policies that evidence its commitment to offer and evaluate credit requests without regard to national origin, religion, sex, marital status, age or handicap. Such policies are regularly assessed to ensure that credit applications are solicited from all segments of the delineation and that the bank does not discourage or illegally prescreen loan applicants. Additionally, all applicants appear to receive an equal financial opportunity, irrespective of personal financial status, regarding the loan application process and have the reasonable expectation of receiving equitable credit standards to be applied to submitted loan applications.

In response to the Americans with Disabilities Act (ADA) of 1990, management has made a commitment to provide wheelchair accessibility at its automated teller locations. Modifications have been made to the bank's ATM locations to meet accepted wheel chair accessible criteria, which includes: access doors and ramps; adequate space in front of an ATM to accommodate a wheelchair; and a specially designed keyboard and screen that will account for the height and depth of a wheelchair. Additionally, access to customer account information for individuals that are hearing-impaired has been improved through the establishment of a toll-free telephone line that is compatible with Telecommunications Device for the Deaf (TDD) equipment.

In addition to the aforementioned efforts, the bank has initiated or sponsored numerous charitable and fund raising events and programs that benefit the physically and mentally challenged. Volunteer support has also been provided to organizations that foster the physical rehabilitation or offer employment or reemployment training for the handicapped.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES (continued)

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

CONCLUSION/SUPPORT

A review of bank credit policies revealed no evidence of prohibited discriminatory practices such as prescreening or the discouragement of applicants for the types of credit that are set forth in the bank's CRA statement. The bank appears to be in compliance with the substantive provisions of the anti-discrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act and any agency regulations pertaining to nondiscriminatory treatment of credit applicants. Additionally, all bank employees have received comprehensive training on the requirements of the CRA as well as the applicable fair lending statutes.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

DDBT has generally exhibited a leadership role in the development or implementation of specific projects that promote housing availability and economic growth and revitalization within its delineated community. Bank officers and employees maintain substantive, ongoing, and productive communication with private sector and various governmental agencies. Information from such dialogue is utilized to apprise the bank's board of directors of prospective opportunities that will permit DDBT to respond to identified community needs. The bank's participation in community development programs has taken the form of investment, direct loans or loans through intermediaries, financial services, and technical assistance. The following activities evidence management's willingness to support the overall revitalization efforts within its delineated community:

C Baltimore Street Associates (The Yards at Baltimore Street)

The bank has agreed to be a lending partner in a collaborative effort in Hanover, Pennsylvania. The development project involves the production of 27 rental units for low-income residents. Three units will be handicapped accessible.

C Crispus Attucks Association

The bank participates in programs sponsored by this organization, located in York. The association rehabilitates and manages housing for low- to moderate-income families and the community. The bank's relations managers have developed a budgeting and credit workshop for recipients of the association's programs. The organization has also established a job training program and offers several social service programs such as day care and an anti-drug education/counseling program.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (continued)

C Allentown Development Company, Inc. (ADCO)

The bank has participated in the lending programs of ADCO, a multi-bank community development corporation. ADCO is affiliated with the Allentown Economic Development Corporation which is a non-profit, private-public partnership that is engaged in community revitalization efforts including: the retention of businesses in the city; the acquisition and renovation buildings for occupancy by small businesses, and the restoration of historic properties.

C Berks Community Action Program, Inc. (BCAP) Berks Housing Opportunities One, Inc

These related organizations have combined to promote affordable housing opportunities in Berks County. Several projects are underway including Norman Commons, which consists of two single-family dwellings in Wernersville, Pa. The houses, financed by DDBT are leased to low- income families in which one adult member is disabled.

C Chambersburg Community Development Corporation (CCDC)

DDBT together with four other local banks, is an investor in the for-profit Chambersburg Community Development program. CCDC is organized to help qualified small businesses, and to invest in programs that create housing for low-to-moderate income people.

C Harrisburg Fair Housing Council, Inc. (HFHC)

Since 1980, DDBT has assisted the HFHC to expand the availability of mortgage money for low-to-moderate income households and minorities. Under this program, Dauphin provides special terms and more flexible underwriting guidelines for mortgages and home improvement loans to people with low-to-moderate incomes within the City of Harrisburg.

C Minority Business Finance Corporation (MBFC)

Dauphin Bank in conjunction with seven other York area banks, contributed to a loan pool that is to be a source of funding for minority and women owned businesses in the York community. The approved loans are to be used for machinery and equipment or working capital, and one of the conditions for loan eligibility is that two new jobs must be created within four years.

C South Central Pennsylvania Housing Foundation Development

This organization has embarked on a project to construct 60 homes in the Summit Terrace neighborhood of Harrisburg. DDBT, an incorporator in the organization, is one of the leaders in a consortium of banks that will provide the permanent financing to qualified buyers. The Foundation was the recipient of a \$900,000 HUD grant.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (continued)

C Spanish American Civic Association (SACA)

In cooperation with SACA and the city of Lancaster, DDBT has assisted in the rehabilitation and financing of properties in the low-income, southeast section of Lancaster. SACA purchases single-family dwellings from HUD and uses its resources to renovate the properties, which, in turn are rented to low-income families. In conjunction with this program, bank employees provide home ownership counseling.

C Housing Initiatives

Housing Initiatives is a United Way funded agency that works on low-income housing projects in York County. In 1995, DDBT committed itself as a 25% equity partner in project known as Wyndamere Apartments. Currently under construction Wyndamere will be a 65-unit apartment complex within the city of York designed for lower-income renters.

C York County Housing Initiatives

The bank has funded projects for this community development organization. In addition, the bank-s community relations representative is a member of this organization.

C Hispanic Coalition of York

The bank has donated funds to support the programs sponsored by this organization. Bank staff has attended meetings concerning diversity. Bank staff also contributes articles to the local Hispanic newspaper regarding topics such as family budgeting and the process of selecting a residential dwelling.

C Lehigh Valley Loan Pool

The bank continues to support this initiative in Lehigh and Northampton Counties, which provides loans to small businesses that have not been able to obtain funding through conventional sources. Loans are extended for the following purposes: to assist the development of start-up businesses in targeted income areas; to make facade improvements to commercial buildings in targeted income areas; to develop minority-owned businesses; and to develop or improve non owner-occupied rental units with at least 50% occupancy by limited-income individuals.

C Office of Minority Business Development - York County

The bank, in conjunction with five local financial institutions and the York County Chamber of Commerce determined that there was a need in the community to support new and existing businesses that are owned and operated by women or minorities. Through this joint-venture, the Chamber of Commerce created the Office of Minority Business Development. To support this endeavor, the financial institutions have solicited private sector funds and funds from the city and county. This commitment of funds, over a five-year period, will enable the organization to develop and offer lending programs, technical assistance and other supportive systems that will allow such businesses to become viable and thus contribute to the overall economic development of York. In December 1993, the Office of Minority Business (continued)

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (continued)

Development formed the Minority Business Finance Corporation (MBFC). MBFC has obtained financial assistance from the banks, the local community and the local corporations to develop a revolving loan fund that can be used to assist in the establishment of women and minority-owned businesses. In addition to loans, the MBFC will assist borrowers in completing applications for business financing and provide technical assistance through a consortium of business professionals.

C Neighborhood Housing Services - Reading

The Neighborhood Housing Service (NHS) of Reading offers a Small Mortgage Loan Program, that provides up to 100% mortgage financing (\$34,000 maximum) for home purchases in the city. DDBT has committed to provide first mortgages for up to 90% of the purchase price and the applicant will receive secondary financing from NHS for the remaining 10%.

Within the delineated community of the bank, there are numerous small businesses, specialty stores and sole proprietorships. DDBT has endeavored to address the specific and unique credit needs of these entities through the provision and renewal of lines of credit, term loans and letters of credit. The data contained in the following chart is reflective of the efforts of DDBT in this regard.

A small business loan for the purposes of the CRA is a loan that is included in the category **ALoans To Small Businesses@**, as defined in the instructions for the preparation of the Consolidated Report of Condition and Income (Call Report). According to the bank-s Call Report (Schedule RC-C Part II - Loans to Small Business) as of June 30, 1996, 41% of its commercial loans were classified as small business loans as described in the following chart:

LOANS TO SMALL BUSINESSES		
	Amount Outstanding at 6/30/96	Percent
Loans with original amounts of \$100,000 or Less	84,938,000	6%
Loans with original amounts of more than \$100,000 through \$250,000	110,750,000	8%
Loans with original amounts of more than \$250,000 through \$1,000,000	334,946,000	26%
Total ASMALL BUSINESS LOANS@	530,634,000	41%
Loans with original amounts of Greater than \$1,000,000	777,535,000	59%
Total Commercial Loans	1,308,169,000	100%

Assessment Factor K - The institution-s ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (continued)

CONCLUSION/SUPPORT

Dauphin County consists of a 518 square mile area that is situated in the southeastern portion of Pennsylvania. The county is comprised of 24 townships and 16 boroughs and its governing body is located in the city of Harrisburg, headquarters of the subject bank. In addition to DDBT, there are 35 banks and thrift institutions that operate a total of 261 offices in the Harrisburg, Lebanon and Carlisle Metropolitan Statistical Area (MSA) market. The county is strategically located near several major markets of economic, trade and industrial activities including, Philadelphia, Baltimore, Washington D.C. Based upon figures from the 1990 census, the population of the MSA delineation was 587,986 which represents a 5.7% increase from the 1980 census. The demographic composition of the assessment area, the MSA and the state are as follows:

	Assessment Area	%	MSA	%	State	%
White	1,781,374	92.0%	532,983	90.6%	10,430,156	87.8%
Black	73,855	3.8%	38,617	6.6%	1,074,985	9.0%
Hispanic	60,047	3.0%	9,336	1.6%	220,479	1.9%
Asian/Pacific Islander	18,481	1.0%	5,901	1.0%	132,651	1.1%
American Indian	2,049	0.1%	697	0.1%	14,822	0.1%
Other	1,057	0.1%	452	0.1%	7,550	0.1%
Total Population	1,936,863	100.0%	587,986	100.0%	11,880,643	100.0%

As noted in the chart, the proportion of the Hispanic population within the bank's assessment area exceeds that of the MSA and the State. In view of this fact, the bank has developed a specific advertising program (Refer to: Marketing And Types of Credit Extended). In addition, the bank has developed a Spanish language version of its publication, Affordable Banking, Affordable Housing.

Housing

The following chart compares the housing status within the bank's assessment area to that of the MSA and the state.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (continued)

	ASSESSMENT AREA		MSA		STATE	
	Number	%	Number	%	Number	%
Owner Occupied	516,738	67.2%	155,621	64.4%	3,176,693	64.3%
Rental Units	214,824	28.0%	70,732	29.3%	1,319,273	26.7%
Vacant Units	36,904	4.8%	15,136	6.3%	442,174	9.0%
Housing Value (Median)	\$83,582	N/A	\$75,013	N/A	\$69,075	N/A
Gross Rent (Median)	\$429	N/A	\$419	N/A	\$404	N/A

As noted in the chart, there is a significant percentage of vacant housing units within the MSA in which the bank is located. This fact has been noted by community representatives and organizations during the outside contacts that were conducted by this Reserve Bank during the examination. Specifically, the contacts noted that the residential properties that are located in the areas of Derry Street and Sixth Street in Harrisburg are in need of rehabilitation or renovation. If such areas are improved through housing development, the contacts indicated that the proximate communities would be revitalized.

Employment

The Harrisburg-Lebanon-Carlisle Metropolitan Statistical Area's (Cumberland, Dauphin, Lebanon and Perry counties) seasonally adjusted unemployment rate in July was 3.3 %, down from 3.5 % in June. The MSA has the second lowest unemployment rate in the state and the four counties comprising the MSA are among the top ten for the lowest unemployment rate.

Since 1985 the civilian labor force of the MSA has increased from 298,300 to 333,600 and the unemployment rate has declined from 6.1 to 3.8 percent. These data indicate that the local labor force has grown and that a higher percentage is employed. An increased employment level has allowed businesses to expand in the area and enabled new firms to find qualified employees. Another economic indicator, wage and salary employment in nonagricultural industries has grown from 276,900 to 335,900 supporting this conclusion. Currently, it is anticipated that the MSA will continue to attract individuals to the area, thus enabling the local economy to continue to expand.

Annual Average	1985	1990	1995
Civilian labor force	298,300	319,600	333,600
Unemployment rate	6.1%	4.5%	3.8%
Total wage & salary Employment	276,900	315,100	335,900

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (continued)

Fourth quarter unemployment rates in the MSAs included in the bank's delineated communities, were as follows: Allentown-Bethlehem- 7.1%; Lancaster- 4.5%; Philadelphia- 6.2%; Scranton-Wilkes Barre- 7.8%; Williamsport -7.6%, and York- 4.9%. Within this context, bank management has attempted to meet various community credit needs commensurate with DDBT's financial condition, asset-size, legal impediments, regulatory constraints and other current economic and social factors.

Although the bank operates within economic and social constraints imposed by the vagaries of the local economy, management continues to maintain an ongoing commitment to the communities included in its delineation through active participation and support of local, state, and federal housing and economic revitalization programs. Such participation appears consistent with DDBT's financial and managerial resources and is in accordance with the safe and sound operation of the institution.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which the institution is helping to meet the credit needs of its entire community.

CONCLUSION/SUPPORT

DDBT has provided considerable financial assistance has been provided to a wide variety of civic, social and community organizations that are located within its delineation. Many of these agencies provide invaluable community programs such as housing, employment training, health and counseling services. Before grants or contributions are extended, bank management determines if the potential recipient has established performance objectives. Management also conducts an evaluation of: the nature and potential effects of the project or program; the applicant's organizational stability; and its fiscal management policies.