

Public Disclosure

July 19, 1999

Community Reinvestment Act Performance Evaluation

**Adams County National Bank
Charter Number: 311
P.O. Box 3129
Gettysburg, PA 17325**

**Office of the Comptroller of the Currency
Eastern Pennsylvania Office
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Bensalem, Pennsylvania 19020**

NOTE: This Evaluation is not, nor should it 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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Definitions

Community development - affordable housing or community services targeted to low- or moderate-income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low- or moderate-income geographies.

Community development loan - a loan that has its primary purpose in community development, benefits the assessment area, and has not been reported or collected by the bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling.

Community development service - a service that has its primary purpose in community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services.

Geography - a census tract or block numbering area.

HMDA loan - a home improvement loan, a refinance loan, or a home purchase loan that is reported on the Home Mortgage Disclosure Act Report.

Home improvement loan - any loan that is for the purpose in whole or in part of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.

Home purchase loan - any loan secured by and made for the purpose of purchasing a dwelling.

Low-income - an individual income that is less than 50% of the area median income, or a median family income (MFI) that is less than 50%, in the case of a geography.

Middle-income - an individual income that is at least 80% and less than 120% of the area median income, or a MFI that is at least 80% and less than 120%, in the case of a geography.

Moderate-income - an individual income that is at least 50% and less than 80% of the area median income, or a MFI that is at least 50% and less than 80%, in the case of a geography.

Multifamily loan - any loan secured by and made for the purpose of purchasing a dwelling for five or more families. The Home Mortgage Disclosure Act does not require banks to report income data on these loans.

Upper-income - an individual income that is 120% or more of the area median income, or a MFI that is 120% or more, in the case of a geography.

Qualified investment - a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Refinance loan - any loan in which the existing obligation, involving either a home purchase or a home improvement loan, is satisfied and replaced by a new obligation.

Small Business Loan - a business loan (Bank Call Report definition) for \$1 million or less.

Small Farm Loan - a farm loan (Bank Call Report definition) for \$500 thousand or less.

Small Business or Small Farm - a business or farm with annual revenues of \$1 million or less.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon the conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Adams County National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 19, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

The following factors support the bank's overall rating.

- Adams County National Bank's (ACNB) lending level reflects a good responsiveness to the credit needs of the assessment area. Additionally, ACNB is one of the leaders within its assessment area regarding the level of home mortgage and refinance loans.
- The geographic distribution of HMDA loans is good.
- There is a good penetration of lending to moderate-income individuals.
- There is excellent loan distribution to small size businesses and farm loans based upon the demographics and credit needs of the assessment area.
- ACNB provides a good level of community development services and qualified investments considering the limited opportunities in the bank's assessment area and the capacity of the bank.
- A high percentage (84%) of lending is made within the assessment area.
- Service delivery systems are accessible to all geographies and individuals of different income levels in the bank's assessment area. The bank tailors its services to all areas, including moderate- income geographies, in helping to meet the needs of the bi-lingual customer base.

The following table indicates the performance level of **Adams County National Bank** with respect to the lending, investment, and service tests.

Table I. Results of Performance Tests

Performance Levels	Adams County National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X	X	X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Adams County National Bank is a \$501 million institution as of 03/31/99. The bank, chartered in 1913, is the largest community bank headquartered in Adams County, Pennsylvania. It is a full service, intrastate bank offering a wide array of loan and deposit products. ACNB is a wholly owned subsidiary of ACNB Bancorporation, a two-bank holding company. ACNB does not have any operating subsidiaries.

ACNB operates twelve full service branches throughout Adams County and two branches in York County, one of which is in a Super Kmart Center. The bank offers 24-hour automated teller machines (ATMs) and drive-through facilities at several locations. ACNB does not operate any remote ATMs. See **Appendix - Table 13, Distribution of Branch and ATM Delivery System** for location of branches and ATMs by income of geographies. No branches were closed during the evaluation period.

ACNB's primary loan products include fixed and adjustable rate residential mortgages, small business, and consumer installment loans. Net loans and leases represent \$325 million or 65% of total assets as of March 31, 1999. A breakdown of the portfolio is as follows: 62% residential mortgages, 34% commercial and commercial real estate loans, and 4% consumer installment and municipal loans. In addition to providing a complete range of commercial and personal banking products, ACNB also offers trust services and discount brokerage services. ACNB is not subject to any known financial, legal, or regulatory restrictions that would hinder its ability to help meet the credit needs in the assessment area (AA).

ACNB operates in an aggressive financial services market with extensive competition from mortgage bankers and brokers, large regional banks, savings banks, savings and loan associations, and credit unions. Two of ACNB's competitors are headquartered in the bank's

market area - The People’s State Bank and Bank of Hanover & Trust Company. Major competitors include PNC Corporation, Farmers Bank and Trust, Grange National Bank, and First Liberty Bank and Trust Co.

Description of Assessment Area

ACNB’s AA is detailed below. It includes all of Adams County, a non-Metropolitan Statistical Area, and four (4) census tracts (CTs) in the Borough of Hanover in neighboring York County, which is part of Metropolitan Statistical Area (MSA) 9280.

The four CTs in the Borough of Hanover represent 5.3% of the total York County CTs (76), and less than 5% of the total families. ACNB’s total AA comprises 21 CTs. The bank has specified only one assessment area because of the small number of CTs in MSA 9280 that are included in the AA. The AA does not extend substantially into the York MSA. In addition, the vast majority of ACNB’s branches are in Adams County. The AA is compliant with the requirements of the CRA and does not arbitrarily exclude low- or moderate-income areas. The population of the AA is 92,673. The average age of housing units in the AA is 39 years, and the median housing cost is \$77,784. The 1990 Census Median Family Income, used to determine the income level category in the AA’s geographies, is \$30,439. The 1998 Housing and Urban Development (HUD) updated Median Family Income, used to determine the income level category of individuals is \$38,647. As of April 30, 1999, the unemployment rate in Pennsylvania was 4.1%. The unemployment rate for the AA was 4.0%.

Assessment Area Demographic Profile				
Census Tract Characteristic	Number of Census Tracts	Percentage of Total Tracts	Percentage of Population	Percentage of Families
Low	0	0%	0%	0%
Moderate	2	9%	7%	7%
Middle	13	62%	59%	58%
Upper	6	29%	34%	35%
Total	21	100%	100%	100%

The AA does not contain any low-income CTs. Both moderate-income CTs are in York County. Based on 1990 census data, ACNB’s AA has 25,438 total families. Approximately 7.5% of total families in the AA are located in moderate-income CTs.

Of the 36,763 total housing units, 85% are one-to-four family units. Owner-occupied housing and rental-occupied housing represent 65% and 28% of the total housing units available respectively. Vacant housing units represent the remaining 6% of the total housing units.

According to 1998 business demographics, there are 3,735 businesses within the AA. Of these businesses, 176 are farms. Small businesses represent 78% of the total businesses reporting

revenues in the AA. Eighty-three percent of the businesses reporting have less than 10 employees. The primary industries in the AA are services (36%), retail trade (25%) and construction (13%). Based on discussions with management, tourism, fruit farming, retail trade and service industries continue to provide the area with a diverse economic base. The demographics in the market area indicate a potential for moderate and steady market growth over the next two years. Historically, the local economy has been relatively stable. It has not experienced the highs and lows exhibited in other areas of Pennsylvania largely due to its industrial diversity.

Major employers in the AA are education providers such as Lincoln Intermediate Unit No. 12 (a regional education service agency), Gettysburg College, and Gettysburg Area School District; health care providers - Gettysburg and York Hospital; and manufacturing firms such as Knouse Foods Cooperative Inc., Quebecor Printing Fairfield, Inc., Harley-Davidson, Inc., and the US Government.

Community Contacts

To identify credit needs we met community contacts from two different community-based organizations, which advocate for affordable housing and economic development in the AA. The community groups included a local housing agency and a private, non-profit corporation. The housing agency's primary role is to determine housing needs, support private and public partnerships, locate funding and develop housing opportunities through rental assistance or home ownership. The non-profit organization's primary focus is to provide affordable housing and rental units to low- and moderate-income families through grants provided by the Community Development Block and Department of Economic and Community Development. It has constructed three rental projects to accommodate 87 low-income families, rehabbed a factory into 36 rental units for low-income and elderly families, and constructed 24 homes for low- and moderate-income families.

In our previous examination, we identified a need for home improvement loans. Based on 1990 data, the average age of housing is 39 years indicating a need for home improvement lending. The community contact identified the need for financial counselors in Adams County and investment capital to fund these programs. The contact felt that ACNB is very committed to serving the needs of the community, particularly those of low-and moderate-income groups.

Conclusions with Respect to Performance Tests

Scope of Review

This evaluation covers the period from June 20, 1997 through the first six months of 1999. We evaluated HMDA reportable loans, small business and small farm loans from January 1, 1997 through June 30, 1999. Community development loans, investments and services covered June 20, 1997 through July 19, 1999. This is the first time that ACNB is being evaluated under the revised CRA regulation. The last Public Evaluation was dated June 19, 1997 and the assigned rating was "Outstanding" under the old twelve-assessment factor rating system. All loan products were given equal weight in determining our final ratings. The market share and peer

lender comparisons contained in the lending test are based on information contained in the aggregate Home Mortgage Disclosure Act (HMDA) and Small Business Reports for 1997. This information was not available for 1998 activities at the time of our review. The 1998 and year-to-date 1999 information is based on the bank's HMDA Loan Application Register (LAR) and Small Business Register.

We reviewed the bank's process for ensuring adequacy of the loan data they reported and found it to be effective. In addition to loan data, we also reviewed the bank's qualified community development investments, and retail and community development services. There were no community development loans made during the evaluation period. Community development investment and service activities were reviewed from the date of the last Public Evaluation through the date of this Evaluation.

Lending Test

Lending Activity

ACNB lending levels reflect a good responsiveness to the credit needs of the AA. ACNB originated 1,304 HMDA loans within its AA for approximately \$86.3 million in 1997, 1998 and the first half of 1999. The bank ranked 2nd for market share out of 103 lenders present in the home purchase loan market in 1997, with an 11% market share. It also ranked 2nd for market share in the home improvement loan market out of 35 lenders in 1997, with a 16% market share. ACNB realized a higher market share of the refinance lending market, with a ranking of number 1 out of 113 lenders in the market, and a 9% market share. ACNB ranked 1st out of 9 institutions in deposits, with a 46% market share in Adams County. Market share of deposits is as of June 30, 1998 and for all FDIC insured institutions operating in Pennsylvania.

The bank is very active lender in both small business and small farm loans. During the evaluation period, ACNB originated 584 small business and 103 small farm loans for approximately \$10.5 million and \$1.2 million, respectively. In 1997, ACNB ranked 16th out of 144 small business lenders in the market with a 2.1% market share. The bank ranked 6th in small farm lending with 4.8% share of the market.

The bank's loan-to-deposit ratio since the last examination (past eight quarters) is 82%. This figure is better than the national peer average over the same period, which approximates 73%.

Assessment Area Concentration

A high percentage of loans were made within the bank's AA, representing 84% of the total number and 81% of the dollar amount.

Ratio of Loans Originated Inside the Assessment Area - January 1, 1997 through June 30, 1999				
	HMDA	Small Business	Small Farm	Total
Number				
Number of loans inside the AA	1,304	584	103	1,991
Total number of Loans	1,573	688	122	2,383
# of Loans Inside/Total # of Loans	82.9%	84.9%	84.4%	83.6%
Dollars (in 000's)				
\$ of Loans Inside the AA	\$86,255	\$10,489	\$1,237	\$97,981
Total \$ of Loans	\$106,945	\$13,012	\$1,506	\$121,463
\$ of Loans Inside/Total \$ of Loans	80.7%	80.6%	82.1%	80.7%

Geographic Distribution of Loans

HMDA Lending

Our analysis reflects good lending penetration throughout geographies with various income characteristics within ACNB's AA. As noted under the *Description of the Assessment Area* section in this report, 62% of the CTs are designated as middle-income with the remaining tracts designated as upper-income (29%) and moderate-income (9%). HMDA-related lending patterns are consistent with the owner occupied housing in the various CTs in the AA. Our analysis indicates that 97% of HMDA-related loans are made within middle- and upper-income CTs which is considered reasonable since these tracts contain 91% of the AA's owner-occupied housing units and 93% of the total population.

ACNB has a good distribution of HMDA loans to moderate-income (Hanover Borough) CTs. As noted earlier, there are only two moderate-income tracts in the AA, and both are located in MSA 9280, York County. In 1997, 49% of home purchase loans were originated in the moderate-income CTs vs. 50% of the owner-occupied units located in these CTs. The bank realized a 9% market share for home purchase loans in moderate-income CTs compared to 7% overall market share for home purchase loans. For home improvement loans, the bank originated 50% of the loans in the moderate income CTs, which approximated the distribution of owner-occupied units. Market share of ACNB's home improvement loans originations slightly exceeded the overall market share at 5%.

ACNB also exceeded the market in originating refinance loans within the moderate-income areas. The 1997 HMDA data shows ACNB market share for refinance loans was 8% compared to a 4% overall market share. Please refer to **Appendix - Tables 2-4, Geographic Distribution of HMDA-related loans.**

Small Business and Small Farm Lending

Geographic distribution of small business loans within the AA is adequate considering the strong competition from a large regional bank and other mid-sized banks. Additionally, 86% of ACNB's branch offices are located in Adams County. There are no low- or moderate-income CTs in Adams County. The bank has a very limited presence in MSA 9280, York County. ACNB has two branch offices (14%) in York County; both offices are located in moderate income CTs. One branch office is located in a Super Kmart Center that primarily takes deposits.

The majority of small business loans were made in middle- and upper-income census tracts, which compares to the demographics of the combined assessment area. Businesses located in middle- and upper-income census tracts represent 85% of all businesses when combining York and Adams County. Only 15% of businesses are located in moderate-income CTs, on a combined basis.

In MSA 9280, York County, small business lending in moderate-income CTs is below the percentage of businesses located in moderate-income CTs. The bank has a very limited presence in York County. **Refer to Appendix - Table 5, Geographic Distribution of Small Business Loans** for ratios and market share data.

ACNB made no small farm loans in the two moderate-income CTs. Please refer to **Appendix - Table 6, Geographic Distribution of Small Farm Loans**.

Lending Gap Analysis

There were no conspicuous or inappropriate gaps found in ACNB's geographic loan distribution. As mentioned earlier in this report under the Description of the Assessment Areas, ACNB has no low-income CTs in its AA.

Borrower Characteristics

HMDA Lending

ACNB's HMDA lending to moderate-income borrowers is good and adequate to low-income borrowers. During the evaluation period, 15% of total HMDA loan originations were to moderate-income borrowers and 5% were to low-income borrowers. The lending to moderate-income borrowers approximates the percentage (16%) of moderate-income families in the assessment area. The lending to low-income borrowers is below the percentage (12%) of low-income families in the assessment area. According to bank management this is largely attributed to strong competition from large regional banks. Please refer to **Appendix - Tables 7-9, Borrower Distribution of Home Purchase Loan Originations, Home Improvement Loan Originations, and Home Mortgage Refinance Loan Originations** for ratios and market share data.

Lender market share reports for 1997 HMDA loans reflect very favorably on the bank. For the Adams County portion of the AA, the market share of loans originated for low- and moderate-income borrowers exceeded overall market share for home improvement and refinance loans. They captured a 20% share of low-income borrower market, and a 27% share of moderate-income borrower market compared to an 18% overall market share for home improvement loans. Market share of refinance loans to the low- and moderate-income borrower market was 11% and 16%, respectively compared to a 10% overall market share. ACNB ranked 2nd in home purchase loans. ACNB ranked 1st among lenders home improvement and refinance loans.

In MSA 9280, the market share of loans originated for low- and moderate-income borrowers exceeded overall market share for refinance loans, capturing a 6% share of both the low- and moderate-income borrower markets compared to a 4% overall market share. In addition, ACNB exceeded market share for low-income borrowers for home purchase loans and moderate-income borrowers for home improvement loans. ACNB was ranked 3rd in home purchase loans and 8th in home improvement loans. Conversely, market share was below overall market share for moderate-income borrowers for home purchase loans at 2% compared to 7% overall market share, and to low-income borrowers for home improvement loans at 0% compared to overall market share of 5%.

For Adams County, loans originated to moderate-income borrowers approximated the percentage distribution of moderate-income families at 15%. Home refinance loans to moderate-income borrowers exceeded the percentage of moderate-income families (27% vs. 15%). Additionally, ACNB's originations for home improvement loans exceeded the percentage distribution to both low- and moderate-income families at 13% and 23%, respectively, compared to 10% and 15%. Home purchase loan originations to low- and moderate-income borrowers and home refinance loans to low-income borrowers are below the percentage of low- and moderate-income families within the AA. The bank originated 2% of its home purchase loans to low-income borrowers compared to a 10% distribution of low-income families. Home refinance loans to low-income borrowers were also below the percentage of low-income families (5% vs. 10%).

In MSA 9280, the bank significantly exceeded the percentage of moderate-income families in the assessment area for home improvement loans (42% vs. 22%). Home purchase and home refinance loans originated to low-income and moderate-income borrowers are below the percentage of low- and moderate-income families.

Small Business Lending

ACNB's lending to small businesses in its AA is excellent. There are 3,559 small businesses representing 95% of all businesses within the AA. During the evaluation period, small business loans made in the non-MSA exceeded the percentage of small businesses within the area (86% vs. 78%) and also exceeded the percentage of small business loans made by all lenders in the market (86% vs. 67%). In MSA 9280, small business loans exceeded the percentage of small businesses within the area (93% vs. 73%) and exceeded the percentage of small business loans made by all lenders in the market (93% vs. 40%). In 1997, the bank realized a market share of 3.4% of loans made to businesses in the non-MSA with revenues \$1 million or less compared to a 2.1% market share of all its small business loans. In MSA 9280, the bank captured a 3.9%

market share vs. a 1.7% market share of all small business loans. A vast majority of the loans made in both the non-MSA (96%) and MSA 9820 (97%) were \$100,000 or less.

Loans in these amounts are particularly responsive to the credit needs of small businesses as noted by our community contact. Please refer to **Appendix - Table 10, Borrower Distribution of Small Business Lending Originations** for business data.

Small Farm

ACNB has an excellent distribution of loans to small size farms and an excellent distribution of small loans, (i.e., loans for less than \$100,000). The bank captured a 5.62% market share and exceeded all of its small farm loans having a 5.27% market share. A significant majority (96%) of farm loans originated were to small farms compared to 93% of small farms operating within the bank's assessment area, and to 91% of small farm loans made by all others. In addition, all of the small farm loans originated during the evaluation period were in amounts equal to \$100,000 or less.

Community Development Lending

ACNB originated no community development loans during the evaluation period. However, the lack of community development lending is not considered negative based on the bank's size and the limited opportunities within the assessment area.

Product Innovation

ACNB does employ flexible lending practices in order to serve the credit needs of its assessment area. The bank offers a 97% residential mortgage program through Fannie Mae's Community Home Buyers Program, which is targeted to low- and moderate-income individuals and geographies. Specifics of the programs are as follows:

- only 3% down payment on the purchase of primary residence;
- ACNB offers private mortgage insurance on loans over 80% LTV;
- maximum loan amount - \$227,150;
- borrower maximum income up to 100% of HUD median income for the area;
- qualifying debt-to-income ratios no greater than 36%;
- waived fees and points; and
- community home buyer educational programs for borrowers.

During the evaluation period, the bank made 10 loans under this program totaling \$732,610.

Investment Test

The bank has a good level of qualified investments based on the size and capacity of the institution and the limited opportunities within the AA. We determined through our internal resources that opportunities for qualified investments in the assessment area are limited. The strong competition for qualified investments in the assessment area, the lack of low-income

geographies, and very limited number of moderate-income geographies further limits the opportunities for investments.

ACNB has committed a \$1MM investment to a limited partnership, which includes a non-profit Community Housing Development Organization. The partnership was formed to construct and manage low- and moderate-income housing projects in a broader area that includes the bank's AA. As of the evaluation date, \$496,000 has been funded.

During the prior evaluation period, the bank provided a \$475,000 investment to a local non-profit organization, and holds a 99% interest in a limited partnership with a private, non-profit corporation. The non-profit corporation services the needs of low- and moderate-income communities, which encompasses a broader statewide area including the bank's AA. The project restored 16 residential dwellings that are now occupied by low-income tenants.

ACNB also gave \$5,600 in qualified grants to non-profit organizations that benefited low- and moderate-income borrowers. Please refer to **Appendix - Table 12, Qualified Investments** for additional information.

Service Test

Retail Banking Services

ACNB's delivery systems are accessible to geographies and individuals of different incomes within the AA. Services are responsive to the needs of the community. There are no low-income CTs within the bank's AA and there are two moderate-income CTs located in York County. Low- and moderate-income families comprise 55.1% of total families living within moderate-income CTs, 30% of total families living within middle-income CTs and 21% of total families residing in upper-income CTs.

ACNB has a total of fourteen branches. Of these, only two are located in moderate-income CTs, eight are located in middle-income CTs and four are located in upper-income CTs. The two moderate-income branches represent 100% of the branches in the York County portion of the AA compared to 48% of the total families living within this same area. The bank has not opened or closed any offices during the evaluation period. Branch hours are convenient to all customers and meet the needs of the entire community. Business hours are extended on Thursday until 6:00 P.M. or Fridays until 8:00 P.M. at branches located in moderate-income areas. Some locations offer Saturday hours until 12:00 P.M. including the branches located in the moderate-income CTs and one branch located in the moderate-income CT offers Sunday hours. A complete list of branch locations and hours is available in the public file. ACNB offers a common set of financial services to all of its customers, including a wide range of loan and deposit products. Services are designed for both retail and business customers. Services are similar at all branches and do not vary in any way that would inconvenience low- and moderate-income individuals living within the AA. Please refer to **Appendix - Table 13, Distribution of Branch and ATM Delivery System** for additional information.

The bank tailors its services to meet specific customer needs. In an effort to meet the needs of its

Spanish speaking customer base, ACNB recently hired a full-time floating teller who is fluent in Spanish. This teller is available, by appointment, to assist Spanish speaking customers throughout the branch network including branches located in moderate-income areas. She is trained to assist with completing loan applications, opening deposit accounts, and any other banking needs. ACNB provides optional training in Spanish for all employees and has provided training for at least one person in every branch. ACNB's telephone access system also has a Spanish option to meet customer needs. Brochures in Spanish are also available. There is a need for bi-lingual personnel due to the large Spanish speaking community. The majority of these individuals are migratory workers who do not speak English. This service is important for the Spanish speaking population in conducting their basic banking needs.

Alternative Delivery Systems

Of the fourteen branches, six have 24-hour ATMs including the two located in the moderate-income CTs. Bank customers can access their accounts at any ATM worldwide that participates in the CIRRUS or MAC network. The bank offers an automated telephone direct dial access system for customers to obtain information regarding their deposit or loan accounts. Customers may also transfer funds from one account to another, make loan payments, and reorder checks by using this service. The system is available 24 hours a day, seven days a week. For the service test, no significant weight was placed on the alternative delivery system, as there are no statistics available regarding how this system benefits low- to moderate-income individuals.

Community Development Services

ACNB provides a good level of community development services within its AA given the limited opportunities due to no low-income CTs and limited moderate-income CTs. Primary services include providing financial and technical expertise to a variety of community service and development organizations through board and committee memberships. Management and employees of ACNB are actively involved in a variety of community development activities that support affordable housing and community services for low- to moderate-income individuals and small businesses. Management actively seeks opportunities by regularly contacting community groups and development organizations within their AA. A sample of ACNB community involvement includes:

- C A bank officer acts as a committee member of a program that is designed to assist families receiving government rental assistance to achieve economic self-sufficiency. In addition to helping families become and remain independent of welfare assistance, it provides families with counseling and assistance for home-ownership.
- C An officer serves as treasurer for a non-profit organization that builds homes for low- and moderate-income families.
- C Another officer serves as a director for the Adams County Economic Development Council that assists with small business development.

- C Another officer serves as a director and treasurer of the Main Street Gettysburg Committee. This non-profit organization assists in developing and improving the economic environment for small businesses in the downtown area.

- C The bank offers free ATM transaction service to its customers at other institutions making electronic banking more accessible to low- and moderate-income families.

Compliance with Antidiscrimination Laws

A fair lending review performed in conjunction with this CRA examination revealed that ACNB is complying with fair lending regulations. During this examination, we reviewed a sample of applications, both approved and denied, for home improvement loans received by the bank from January 1, 1998 through December 31, 1998 for consistent underwriting and loan terms. The fair lending examination was conducted using unmarried denied female home improvement loan applicants to unmarried approved male home improvement loan applicants. No violations of the substantive provisions of the anti-discrimination laws were discovered.

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 nonmetropolitan 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”).

Scope of Examination			
Time Period Reviewed January 1, 1997 - June 30, 1999 June 20, 1999 - July 19, 1999 June 20, 1999 - July 19, 1999 June 20, 1999 - July 19, 1999	Lending Test: HMDA, Small Business Small Farm Loans Lending Test: Community Development Loans Investment Test Service Test		
Financial Institution: Adams County National Bank Gettysburg, Pennsylvania	Products Reviewed: HMDA Reportable Loans, Small Business Loans, Small Farm Loans, Community Development Investments and Services		
Affiliates	Affiliate Relationship	Products Reviewed	
None	N/A	N/A	
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Includes Portions of MSA 9280 - York County and all of non-MSA - Adams County	Full-Scope	ACNB’s Main Office - Old Harrisburg Rd. location in Gettysburg, PA	None

Appendix B: Tables of Performance Data

Content of Standardized Tables

References to the **Abank@** 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; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; 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 MSA/assessment area.

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 MSA/assessment area.
- 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 rank and 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 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 rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to

\$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 7. 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 MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of Home Improvement Loans - See Table 7.

Table 9. Borrower Distribution of Refinance Loans - See Table 7.

Table 10. 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. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. 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 11. Borrower Distribution of Small Loans to Farms - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

Table 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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 have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

Table 13. 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

Table 1. Lending Volume

LENDING VOLUME State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999												
MSA /Assessment Area	% of Total bank Deposits in Rated Area (*)	Home Mortgage		Small Business		Small Farms		Community Development		Total Reported Loans		% of Total reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Scope:												
Non - MSA Adams County	94.58	1,229	80,933	533	9,641	103	1,237	0	0	1,865	91,811	93.70
MSA - 9280 - York County Hanover Borough	5.42	75	5,322	51	848	0	0	0	0	126	6,170	6.30
Limited Scope:												

(*) Based on most recent bank data as of 6/30/98.

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope																
Non-MSA Adams County	0.0	0.0	0.0	0.0	60.63	60.0	39.37	40.0	2	11.86	0.0	0.0	11.88	11.28	390	90.49
MSA- 9280 - York County Hanover Borough	0.0	0.0	50.27	48.78	49.73	51.22	0.0	0.0	3	7.24	0.0	8.89	6.11	0.16	41	9.51
Limited Scope:																

(*) Based on 1997 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Non-MSA: Adams County	0.0	0.0	0.0	0.0	60.63	68.13	39.37	31.87	1	17.76	0.0	0.0	21.38	12.18	342	96.61
MSA 9280 - York County Hanover Borough	0.0	0.0	50.27	50.00	49.73	50.00	0.0	0.0	8	4.55	0.0	5.00	4.35	0.0	12	3.39
Limited Scope:																

(*) Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Non-MSA Adams County	0.0	0.0	0.0	0.0	60.63	59.15	39.37	40.85	1	9.89	0.0	0.0	11.61	7.28	497	95.76
MSA- 9280 - York County Hanover Borough	0.0	0.0	50.27	54.55	49.73	45.45	0.0	0.0	6	4.23	0.0	7.69	1.80	0.0	22	4.24
Limited Scope:																

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Business es	% BANK Loans	% of Busines ses	% BANK Loans	% of Business es	% BANK Loans	% of Busines ses	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Non MSA Adams County	0.0	0.0	0.0	0.0	56.69	63.60	43.31	36.40	16	2.05	0.0	0.0	1.69	5.05	533	91.27
MSA - 9280 - York County Hanover Borough	0.0	0.0	62.71	11.76	37.29	88.24	0.0	0.0	13	1.73	0.0	0.62	2.15	0.0	51	8.73
Limited Scope:																

(*). Based on 1997 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Non-MSA Adams County	0.0	0.0	0.0	0.0	52.69	78.64	47.31	21.36	6	5.27	0.0	0.0	5.18	8.70	103	100.0
MSA 9280 - York County Hanover Borough	0.0	0.0	66.67	0.0	33.33	0.0	0.0	0.0	NA	0.0	0.0	0.0	0.0	0.0	0	0.0
Limited Scope:																

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Non-MSA Adams County	10.23	1.54	15.60	14.87	25.30	23.33	48.87	60.00	2	11.0	7.69	9.60	9.62	12.9	390	90.49
MSA-9280 - York County Hanover Borough	22.47	12.20	21.80	14.62	27.81	36.59	27.91	36.59	3	7.27	7.69	1.54	7.69	13.79	41	9.51
Limited Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated by ACNB.

(**) Based on 1997 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Non-MSA Adams County	10.23	13.16	15.60	22.51	25.30	23.98	48.87	40.61	1	17.76	20.41	27.27	18.55	14.79	342	96.61
MSA-9280 - York County Hanover Borough	22.47	8.33	21.80	41.67	27.81	25.00	27.91	25.00	8	4.55	0.0	4.76	5.88	6.67	12	3.39
Limited Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated by ACNB.

(**) Based on 1997 Aggregate HMDA Data only.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Non-MSA Adams County	10.23	4.55	15.60	27.27	25.30	31.82	48.87	36.36	1	9.87	11.43	15.65	7.67	10.79	497	95.76
MSA-9280 - York County Hanover Borough	22.47	1.61	21.80	9.66	27.81	22.74	27.91	65.59	6	4.23	6.25	5.66	1.79	5.00	22	4.24
Limited Scope:																

(*) As a percentage of loans with borrower information available. No information was available for 0.00% of loans originated by ACNB.
 (**) Based on 1997 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999											
MSA /Assessment Area	Business with Revenues of \$1 million or less			% of Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less %	>\$100,000 to \$250,000 %	>\$250,000 to \$1,000,000 %	All	Rev \$1 million or less	#	% of Total	Avg. Loan Size
Full Scope:											
Non-MSA Adams County	78.35	86.30	67.16	98.50	0.75	0.75	2.05	3.37	533	91.27	18
MSA-9280 - York County Hanover Borough	73.33	93.24	39.91	98.65	1.35	0.0	1.68	3.88	51	8.73	12
Limited Scope:											

(*) As a percentage of businesses with known revenues.
 (**) As a percentage of loans with revenue information available. No information was available for 0.00% of loans originated by ACNB.
 (***) The market consists of all other Small Business reporters in ACNB’s assessment area and is based on 1997 Aggregate Small Business Data only.
 (****) Based on 1997 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM State: Pennsylvania Evaluation Period January 1, 1997 to July 19, 1999											
MSA /Assessment Area	Farm with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less %	>\$100,00 to \$250,000 %	>\$250,000 to \$1,000,000 %	All	Rev \$1 million or less	#	% of Total	Avg. Loan Size
Full Scope:											
Non-MSA Adams County	92.81	96.12	91.45	100.0	0.0	0.0	5.27	5.62	103	100.0	12
MSA-9280 - York County Hanover Borough	77.78	NA	100.0	NA	NA	NA	0	0.0	0	NA	NA
Limited Scope:											

(*) As a percentage of Farms with known revenues.
 (**) As a percentage of loans with revenue information available. No information was available for 0.00% of loans originated by MNB.
 (***) The market consists of all other Small Farm reporters in ACNB’s assessment area and is based on 1997 Aggregate Small Farm Data only.
 (****) Based on 1997 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999									
MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full Scope:									
Non-MSA Adams County	1	475	98.8	3	6	1.2	4	481	49.2
MSA-9280 - York County Hanover Borough	0	0	0.0	1	496	100.0	1	496	50.8
Limited Scope:									

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.
 (**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM State: Pennsylvania Evaluation Period: January 1, 1997 to July 19, 1999																	
MSA /Assessment Area	Deposits	Branches						ATMs						Population			
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches	Location of Branches by Income of Geographies (%)				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies (%)				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Scope:																	
Non-MSA Adams County	94.58	12	85.7	0	0	66.7	33.3	4	66.7	0	0	50.0	50.0	0	0	50.77	33.69
MSA-9280 - York County Hanover Borough	5.42	2	14.3	0	100.0	0	0	2	33.3	0	50.0	0	0	0	7.49	8.05	0
Limited Scope:																	