



PUBLIC DISCLOSURE

March 30, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FNB Bank, National Association
Charter Number 325

354 Mill Street
Danville, PA 17821

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303
Trevese, PA 19053

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The loan-to-deposit ratio is more than reasonable.
- A substantial majority of home mortgage loans originated during the evaluation period were within the bank's Assessment Area (AA);
- The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels in the AA;
- The distribution of home mortgage loans reflects poor dispersion to geographies of different income levels throughout the AA; and,
- The level of responsiveness to community development needs of the AA through community development lending, qualified investments, and community development services is satisfactory.

There were no complaints regarding Community Reinvestment Act (CRA) activities.

Scope of Examination

We evaluated FNB Bank, N.A. (FNB) using the Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

Changes affecting the data used to evaluate CRA performance have been phased in over several years as Federal banking agencies analyze, and adapt to, the most recent census data. These changes continue to impact CRA performance evaluation (PE) data analysis. In February 2013, the Office of Management and Budget revised metropolitan area and census tract geographic definitions and boundaries. The 2010 census data changes beginning January 1, 2012, resulted in changes in AA delineation, HMDA and CRA reportable data, and geocoding from prior years. Thus, a CRA PE would require two separate analyses: one for the January 1, 2011 to December 31, 2011 performance period, and another for the January 1, 2012 to December 31, 2013 performance period. However, the OCC conducted this PE using a limited data analysis, evaluating only the data from January 1, 2012 to December 31, 2013. The OCC considers this approach to be reasonable for FNB based on its activity.

We completed this evaluation using a limited data analysis. The evaluation period for the lending test is from January 1, 2012 through December 31, 2013. The OCC considers this approach reasonable for FNB based on its activity. Bank management concurred with the exclusion of additional data. The evaluation period for the CD test is from the July 26, 2010 start date of the previous CRA evaluation to the March 30, 2015 start date of the current CRA evaluation.

For the lending test, we focused on FNB's primary loan product: home mortgage loans. Home mortgage loans represent approximately 90% of the bank's total Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) and CRA reportable loans originated during the evaluation period. We tested the HMDA-LAR data prior to this examination and found it to be reliable for purposes of our analysis. We did not analyze small business or small farm loans, as the inclusion of these loans has minimal impact on the overall evaluation due to the low volume of originations.

Description of Institution

FNB is an intrastate community bank headquartered in Danville, Pennsylvania. As of December 31, 2014, FNB had total assets of \$342 million. FNB is a wholly owned subsidiary of Fulton Financial Corporation (FFC), a \$17.2 billion bank holding company formed in 1982 and headquartered in Lancaster, Pennsylvania. FFC has six bank subsidiaries, including FNB, located in Pennsylvania, Maryland, Delaware, Virginia, and New Jersey. Through FFC non-bank subsidiaries, FNB offers the following services: trust, brokerage, and investment management services through Fulton Financial Advisors; life insurance and insurance related products through Fulton Insurance Services Group, Inc.; and residential mortgages through Fulton Mortgage Company.

The bank operates eight full service branch offices in the central Pennsylvania Counties of Northumberland, Columbia, Montour, and Lycoming. All branches offer extended hours on Friday evenings and Saturday mornings. Seven branch offices have automated teller machines (ATMs). ATMs allow for cash withdrawals, deposits, account-to-account transfers, credit card advances, loan payments, and balance inquiries. No branches were opened or closed since the prior CRA evaluation, and there were no mergers or acquisitions. FNB also offers online banking and bill pay, mobile banking, and bank-by-phone services.

As of December 31, 2014, FNB had \$37 million in Tier one capital. FNB reported net loans of \$246.9 million and total deposits of \$269.4 million. The bank's loan portfolio is comprised of 66% retail loans and 34% commercial loans. The breakdown of loan types as a percentage of the bank's entire loan portfolio as of December 31, 2014 is: 58% residential real estate, 19% commercial real estate, 7% consumer, 6% state and political subdivisions, 4% commercial and industrial, 3% construction and development (including 1-4 family construction), 2% other loans and leases, and 1% farmland.

FNB's business strategy is to offer a community-oriented style of banking that fosters long-term relationships with both customers and employees. FNB is a full service bank offering a wide range of commercial and personal banking products and services. Commercial banking products and services include checking accounts, money market accounts, certificates of deposit, small business loans, term loans secured by real estate and other assets, lines of credit, and letters of credit. Consumer banking products and services include various checking account and savings deposit products, certificates of deposit, individual retirement accounts, auto loans, home equity loans and lines of credit, residential mortgage loans, and personal loans. The bank also offers a "Homebuyer Advantage Plus Program" through non-bank affiliate, Fulton Mortgage Company. This program benefits low- and moderate-income borrowers by offering home loans up to \$275 million with a maximum loan-to-value (LTV) ratio of 97% and no private mortgage insurance (PMI); and requires a minimum credit score of 640.

There are no financial or legal impediments affecting FNB's ability to help meet the community credit needs of its AAs. The bank received a "Satisfactory" rating at the previous CRA evaluation dated July 26, 2010. This prior evaluation was performed under the Large Bank Examination Procedures.

Description of Assessment Area(s)

Columbia/Montour/Northumberland – Non-MSA

FNB's Columbia/Montour/Northumberland Non-Metropolitan Statistical Area (MSA) AA consists of the adjacent central Pennsylvania Counties of Columbia, Montour, and Northumberland, in their entireties. Out of the AA's 43 census tracts, there are no tracts classified as low-income, nine or 21% are classified as moderate-income, 28 or 65% are classified as middle-income, and six or 14% are classified as upper-income.

The 2010 U.S. Census reported the total population of the AA at 180,090. Within the AA, there are 47,590 families and 72,428 households. There are 82,156 housing units, of which 52,355 are owner-occupied, 20,073 are rental-occupied, and 9,728 are vacant. There are no owner-occupied housing units located in low-income geographies, 14% are located in moderate-income geographies, 68% are located in middle-income geographies, and 18% are located in upper income geographies. The medium average housing value is \$106,876.

The 2010 medium family income was \$52,966. The HUD adjusted medium family income for 2012 was \$55,600. Approximately 19% of families in the AA are low-income, 21% are moderate-income, 23% are middle-income, and 38% are upper-income. Approximately 14% of households are below the poverty level.

Major AA industries include healthcare, government, manufacturing, and education. As of February 2014, the largest three employers in Columbia County are the Pennsylvania State System of Higher Education; Autoneum North America, Inc.; and Wise Foods, Inc. The largest three employers in Montour County are Geisinger Systems Services,

Geisinger Medical Center, and Geisinger Clinic. The largest three employers in Northumberland County are Weis Markets, Inc.; H H Knoebel Sons, Inc.; and the Pennsylvania state government.

National, state, and local unemployment statistics have been improving since the end of the economic recession in 2009. A trend analysis comparing December 2012, 2013, and 2014 unemployment statistics shows unemployment rates nationally; in Pennsylvania; and in the counties of Columbia, Montour, and Northumberland declining year-over-year. Generally, over the past three years, the county of Northumberland had a higher unemployment rate than the United States and Pennsylvania. Montour County had lower unemployment rates than the United States and Pennsylvania over the past three years. Columbia County unemployment rates were generally in line with national and Pennsylvania unemployment rates. The following chart shows national; Pennsylvania; and Columbia, Montour, and Northumberland County unemployment rates (not seasonally adjusted) for December 2012, 2013, and 2014.

National; Pennsylvania; and Counties of Columbia, Montour, and Northumberland Unemployment Rates					
	National	PA	Columbia	Montour	Northumberland
2012	7.6%	7.7%	7.7%	5.7%	9.5%
2013	6.5%	6.2%	6.0%	4.4%	7.6%
2014	5.4%	4.6%	4.5%	3.4%	5.4%

Source: Bureau of Labor Statistics Unemployment Rate Data 2012 – 2014

There is intense competition for deposits among community banks, as well as branches of regional and national financial institutions, in the Columbia/Montour/Northumberland AA. According to the June 30, 2014 Federal Deposit Insurance Corporation (FDIC) Summary of Deposit Market Share Report, FNB’s deposit market share within this AA is 9.9%; ranking fifth out of 21 financial institutions. The four financial institutions with a greater market share than FNB are First Columbia Bank & Trust Company, First Keystone Community Bank, Susquehanna Bank, and M&T Bank with deposit market shares of 18.6%, 11.7%, 10.9%, and 10.6%, respectively.

Competition for home mortgage loans is strong in the AA. According to peer mortgage data, 196 lenders originated or purchased home loans in the AA in 2012. FNB ranks third with a home mortgage loan market share of 9.5% by number and 12.3% by dollar amount. Wells Fargo ranks first with a home mortgage loan market share of 13.4% by number and 14.3% by dollar amount. Service First Federal Credit Union ranks second with a home mortgage loan market share of 11.5% by number and 7.9% by dollar amount.

During this evaluation, we contacted one community organization. The primary functions of this organization include economic, housing, and small business development. The organization primarily serves 11 counties in Central Pennsylvania, including each county where FNB has branch facilities. An officer from this organization identified affordable housing, particularly for low- and moderate-income seniors, as a

primary community development need. There are opportunities for local financial institutions to invest in housing development projects with this organization through a low-income tax credit program. The community contact specifically named FNB's President, Bryan Holmes, as an integral part of helping low- and moderate-income first-time home buyers obtain financing to purchase homes in the local community. The community contact also specifically named FFC, and its subsidiary banks (FNB and Swineford National Bank) as being the most active financial institutions in previous housing projects. However, FFC and its subsidiary banks are beginning to request additional guarantees from this organization. These additional guarantees are placing strains on the organization's budget. Because the contact is not certain if these additional guarantees are reflective of the banking industry as a whole, the organization will carefully evaluate investment offers from other financial institutions in the future.

Williamsport, PA – MSA 48700 (Lycoming County)

The Williamsport, Pennsylvania Metropolitan Statistical Area consists of the entire county of Lycoming. Out of the AA's 29 census tracts, one or 3.5% is classified as low-income, two or 6.9% are classified as moderate-income, 24 or 82.8% are classified as middle-income, and two or 6.90% are classified as upper-income.

The 2010 U.S. Census reported the total population of the AA at 116,111. Within the AA, there are 31,313 families and 46,612 households. There are 52,723 housing units, of which 32,540 are owner-occupied, 14,072 are rental-occupied, and 6,111 are vacant. Approximately 1% of total owner-occupied housing units are located in low-income geographies, 3% are located in moderate-income geographies, 87% are located in middle-income geographies, and 8% are located in upper-income geographies. The medium average housing value is \$117,192.

The 2010 medium family income was \$52,124. The HUD adjusted medium family income for 2012 was \$54,800. Approximately 19% of families in the AA are low-income, 19% are moderate-income, 23% are middle-income, and 39% are upper-income. Approximately 14% of households are below the poverty level.

Major AA industries include healthcare, government, manufacturing, and education. As of February 2014, the largest three employers in Lycoming County are Susquehanna Health System, Pennsylvania state government, and The Pennsylvania College of Technology. Oil and gas production has been on the rise as a major employment industry due to Marcellus shale drilling in Lycoming County. Halliburton Energy Services, Inc. ranked as the seventh largest employer in the AA as of February 2014.

Natural gas drilling associated with the Marcellus shale is affecting the housing industry in Lycoming County. The region has seen many out-of-state workers drawn to the area in recent years because of this drilling. The influx of gas workers to this region has resulted in greater demand and higher prices for rental units and owner-occupied housing. In October 2011, the Center for the Study of Community and Economy at Lycoming College conducted a study on the Marcellus Natural Gas Development's

Effect on Housing in Pennsylvania. The Pennsylvania Housing Finance Agency (PHFA) funded this project. Researchers identified significant shortages of affordable housing in the region due to natural gas drilling. According to this study, Lycoming County has the third highest shortage of affordable owner-occupied housing of all the counties in Pennsylvania. There is also significant pressure in and around Williamsport because gas producers and service companies have established regional headquarters in the area.

National, state, and local unemployment statistics have been improving since the end of the economic recession in 2009. A trend analysis comparing December 2012, 2013, and 2014 unemployment statistics shows unemployment rates nationally, in Pennsylvania, and in Lycoming County declining year-over-year. Generally, the county of Lycoming had a higher unemployment rate than the United States and Pennsylvania over the past three years. The following chart shows national, Pennsylvania, and Lycoming County unemployment rates (not seasonally adjusted) for December 2012, 2013, and 2014.

National, Pennsylvania, and Lycoming County Unemployment Rates			
	National	PA	Lycoming
2012	7.6%	7.7%	7.9%
2013	6.5%	6.2%	6.8%
2014	5.4%	4.6%	5.0%

Source: Bureau of Labor Statistics Unemployment Rate Data 2012 - 2014

There is intense competition for deposits among community banks, as well as branches of regional and national financial institutions, in the Williamsport AA. According to the June 30, 2014 FDIC Summary of Deposit Market Share Report, FNB's deposit market share within this AA is 0.83%; ranking tenth out of 11 financial institutions. Each financial institution with greater deposit market share than FNB has more branch offices in the AA. FNB operates only one branch office in Lycoming County. The top four financial institutions with the greatest deposit market shares are M&T Bank, Jersey Shore State Bank, The Muncy Bank and Trust Company, and Woodlands Bank. Each institution has five or more branches in the AA and deposit market shares of 31.2%, 15.1%, 11.8%, and 11.3%, respectively.

Competition for home mortgage loans is strong in the AA. According to peer mortgage data, 167 lenders originated or purchased home loans in the AA in 2012. FNB ranks fourteenth with a home mortgage loan market share of 1.8% by number and 2.2% by dollar amount. The top three financial institutions with the greatest home loan market shares each have market shares greater than 10% by number of loans. Wells Fargo ranks first with a home loan market share of 14.9%; Jersey Shore State Bank ranks second with a home loan market share of 14.9%; and Woodlands Bank ranks third with a home loan market share of 10.6%.

As mentioned in the Columbia/Montour/Northumberland AA section above, we contacted one community organization during this examination. This contact specifically identified Lycoming County as having a need for affordable housing. The influx of transient workers associated with the natural gas drilling in the area has created a shortage of housing units in the AA; thus driving up housing costs and rents. The community contact has seen drilling activity level off in the area, but has not seen a decline in the cost of housing yet. The contact identified the gas drilling businesses as being cyclical, so while housing may not be in as high demand now as it was when the drilling began, this does not mean it won't pick back up if more wells need to be drilled in the future.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB's performance under the lending test is **Satisfactory**, and generally meets the standards for a satisfactory rating for the lending test. The loan-to-deposit ratio is more than reasonable. A substantial majority of FNB's primary loan products are within FNB's AA. FNB has reasonable penetration among borrowers of different income levels and businesses of different sizes. However, FNB's geographical dispersion of loans is poor. All criteria for the lending test are documented below.

Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the AA. FNB's loan-to-deposit ratio averaged 83.5% for the eighteen quarters beginning September 30, 2010 through December 31, 2014. During this time period, the ratio ranged from a quarterly low of 75.1% to a quarterly high of 93.8%. FNB's net loan-to-deposit ratio has been increasing since the previous CRA examination and has been over 90% for the past five quarters. The bank's loan-to-deposit ratio at December 31, 2014 was 91.8%.

The bank's net loan-to-deposit ratio compares favorably to financial institutions with similar asset sizes and operating profiles. The average net loan-to-deposit ratio for fourteen state and federally chartered national banks and thrifts with asset sizes between \$200 million and \$400 million, operating within the bank's AA or contiguous counties, was 75.3% during these same eighteen quarters.

Lending in Assessment Area

A substantial majority of FNB's home mortgage loans originated during the evaluation period were within the AA. An analysis of the bank's HMDA data disclosed that 90.1% of the total number and 86.6% of the total dollar amount of home mortgage loans were originated within the AA. During the evaluation period, the bank originated the following percentages of home mortgage loans within the bank's AA: 87.6% home purchase, 91.7% home refinance, and 90.3% home improvement. Please see the following table.

Lending in FNB's AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	311	87.61	44	12.39	355	48,990	81.30	11,270	18.70	\$60,260
Home Refinance	447	91.79	40	8.21	487	69,072	90.99	6,838	9.01	\$75,910
Home Improvement	84	90.32	9	9.68	93	9,733	85.97	1,588	14.03	\$11,321
Total	842	90.05	93	9.95	935	127,795	86.65	19,696	13.35	\$147,491

Source: 2012 and 2013 FNB HMDA-LARs

Lending to Borrowers of Different Incomes

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels in the AA.

Columbia/Montour/Northumberland – Non-MSA

Home Mortgage Loans

The distribution of home mortgage loans in the Columbia/Montour/Northumberland AA reflects reasonable penetration among borrowers of different income levels. The analysis of FNB's record of originating home mortgages among AA borrowers of different income levels considers affordability of home ownership for low-income AA families. The average median AA housing value is \$106,876 and a low-income family earns less than \$27,800 annually. Additionally, 14% of AA households are below the poverty level and considered very low-income. Lack of home ownership affordability limits opportunities for home loan lending to low-income AA families. The bank's record of lending to moderate-income borrowers in the AA received more weight than the bank's record of lending to low-income borrowers in the AA due to the lack of home affordability of low-income borrowers. Additionally, the bank's record of originating home refinance loans to moderate-income borrowers received the most weight because home refinance loans comprise 53% of total home loans originated in the AA during the evaluation period.

Home Purchase Loans

The bank originated 4.2% of home purchase loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 19%. The bank originated 9.3% of home purchase loans to moderate-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as moderate-income at 21%.

Home Improvement Loans

The bank originated 8.7% of home improvement loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 19%. The bank originated 14.5% of home improvement loans to moderate-income borrowers in the AA, which is lower than the percentage of AA families classified as moderate-income at 21%.

Home Refinance Loans

The bank originated 2.8% of home refinance loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 19%. The bank originated 17.5% of home refinance loans to moderate-income borrowers in the AA, which is lower than the percentage of AA families classified as moderate-income at 21%.

The following table shows the distribution of FNB’s home loan originations and purchases to borrowers of different income levels compared to the percent of families in each income category in the AA.

Borrower Distribution of Residential Real Estate Loans in the Columbia/Montour/Northumberland AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA* Families	% of** Number of Loans	% of AA* Families	% of** Number of Loans	% of AA* Families	% of** Number of Loans	% of AA* Families	% of** Number of Loans
Home Purchase	18.85	4.24	20.85	9.32	22.56	24.15	37.73	62.29
Home Improvement	18.85	8.70	20.85	14.49	22.56	8.70	37.73	68.12
Home Refinance	18.85	2.82	20.85	17.46	22.56	20.28	37.73	59.44

Source: 2012 and 2013 FNB HMDA-LARs and 2010 U.S. Census data

Williamsport, PA – MSA 48700 (Lycoming County)

Home Mortgage Loans

The distribution of home mortgage loans in the Williamsport AA reflects reasonable penetration among borrowers of different income levels. The analysis of FNB’s record of originating home mortgages among AA borrowers of different income levels considers affordability of home ownership for low-income AA families. The average median AA housing value is \$117,192 and a low-income family earns less than \$27,400 annually. Additionally, 14% of AA households are below the poverty level and considered very low-income. Lack of home ownership affordability limits opportunities for home loan lending to low-income AA families. Therefore, the bank’s record of lending to moderate-income borrowers in the AA received more weight in this analysis than the bank’s record of lending to low-income borrowers.

Home Purchase Loans

The bank originated 5.0% of home purchase loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 19%. The bank originated 15% of home purchase loans to moderate-income borrowers in the AA, which is lower than the percentage of AA families classified as moderate-income at 19%.

Home Improvement Loans

The bank did not originate any home improvement loans to low-income borrowers in the AA. The bank originated 15.4% of home improvement loans to moderate-income borrowers in the AA, which is lower than the percentage of AA families classified as moderate-income at 19%.

Home Refinance Loans

The bank originated 1.2% of home refinance loans to low-income borrowers in the AA, which is significantly lower than the percentage of AA families classified as low-income at 19%. The bank originated 11.6% of home refinance loans to moderate-income borrowers in the AA, which is lower than the percentage of AA families classified as moderate-income at 19%.

The following table shows the distribution of FNB’s home loan originations and purchases to borrowers of different income levels compared to the percent of families in each income category in the AA.

Borrower Distribution of Residential Real Estate Loans in the Williamsport AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.83	5.00	18.93	15.00	23.21	20.00	39.03	60.00
Home Improvement	18.83	0.00	18.93	15.38	23.21	15.38	39.03	69.23
Home Refinance	18.83	1.16	18.93	11.63	23.21	31.40	39.03	55.81

Source: 2012 and 2013 FNB HMDA-LARs and 2010 U.S. Census data

Geographic Distribution of Loans

The distribution of home mortgage loans reflects poor dispersion to geographies of different income levels throughout the bank’s AA. The bank’s record of lending in the Columbia/Montour/Northumberland Non-MSA AA received more weight than the bank’s record of lending in the Williamsport MSA AA for this analysis, since the bank originated a majority, or approximately 80% of home mortgage loans in the Non-MSA AA during the evaluation period.

Columbia/Montour/Northumberland – Non-MSA

Home Mortgage Loans

The distribution of home mortgage loans reflects poor dispersion to geographies of different income levels throughout the AA. The bank's originations of purchase, improvement, and refinance home mortgage loans in moderate-income geographies was significantly lower than the percentage of owner-occupied housing units in moderate-income geographies. There are no low-income geographies located in this AA. Therefore, the geographic distribution of home loans in the AA is based entirely upon the bank's record of lending in moderate-income geographies.

In light of the bank's poor performance in this analysis, there are some restrictive factors limiting the bank's ability to lend significantly in moderate-income geographies in the AA. FNB only operates one branch in a moderate-income census tract in the AA. Affiliate bank, Swineford National Bank, operates a branch in a moderate-income census tract in Northumberland County. Additionally, the following adverse demographic information results in limited opportunities to grant home loans in moderate-income census tracts in the AA:

- Only 7,377 or 14% of all owner-occupied housing units in the AA are in moderate-income census tracts.
- Over half of the 15,192 housing units in moderate-income tracts are rental-occupied or vacant. Approximately 5,233 or 34% of total housing units in moderate-income census tracts are renter occupied and 2,581 or 17% are vacant.
- Approximately 4,684 or 37% of total households in moderate-income census tracts are low-income.
- Approximately 2,730 or 22% of total households in moderate-income census tracts are below the poverty level.
- Approximately 2,116 or 30% of total families in moderate-income census tracts are low-income.

Home Purchase Loans

The bank originated 5.7% of home purchase loans in moderate-income geographies in the AA, which is significantly lower than the percentage of owner-occupied housing units in moderate-income geographies at 14%.

Home Improvement Loans

The bank originated 1.4% of home improvement loans in moderate-income geographies in the AA, which is significantly lower than the percentage of owner-occupied housing units in moderate-income geographies at 14%.

Home Refinance Loans

The bank originated 3.9% of home refinance loans in moderate-income geographies in the AA, which is significantly lower than the percentage of owner-occupied housing units in moderate-income geographies at 14%.

The following table shows FNB’s distribution of home loan originations and purchases to geographies of different income levels compared to the percentage of owner-occupied housing units in each income level geography in the AA.

Geographic Distribution of Residential Real Estate Loans in the Columbia/Montour/Northumberland AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	14.09	5.74	67.93	54.51	17.98	39.75
Home Improvement	0.00	0.00	14.09	1.41	67.93	66.20	17.98	32.39
Home Refinance	0.00	0.00	14.09	3.91	67.93	54.75	17.98	41.34

Source: 2012 and 2013 FNB HMDA-LARs and 2010 U.S. Census data

Williamsport, PA – MSA 48700 (Lycoming County)

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable dispersion to geographies of different income levels throughout the AA.

The bank does not have any branches in low- or moderate-income census tracts in this AA. Additionally, the following adverse demographic information results in limited opportunities to grant home loans in moderate-income census tracts:

- Only 415 or 1.3% of all owner-occupied housing units in the AA are in low-income census tracts. Additionally, only 1,062 or 3.3% of all owner-occupied housing units in the AA are in moderate-income census tracts.
- Only 415 or 17.1% of total housing units in low-income census tracts are owner-occupied. Approximately 1,719 or 71% of total housing units in low-income census tracts are renter occupied and 291 or 12% are vacant.
- Only 1,062 or 31% of total housing units in moderate-income census tracts are owner-occupied. Approximately 1,823 or 53% of total housing units in moderate-income census tracts are renter occupied and 549 or 16% are vacant.

- Approximately 1,263 or 43.8% of total households in moderate-income census tracts are low-income.
- Approximately 933 or 32.3% of total households in moderate-income census tracts are below the poverty level.
- Approximately 488 or 53.6% of total families in low-income census tracts are low-income. Additionally, 464 or 31.20% of total families in moderate-income census tracts are low-income.

Home Purchase Loans

The bank did not originate any home purchase loans in low income geographies in the AA. The bank originated 7.8% of home purchase loans in moderate-income geographies in the AA, which exceeds the percentage of owner-occupied housing units in moderate-income geographies at 3.3%.

Home Improvement Loans

The bank did not originate any home improvement loans in low- or moderate-income geographies in the AA.

Home Refinance Loans

The bank did not originate any home refinance loans in low-income geographies in the AA. The bank originated 2.3% of home refinance loans in moderate-income geographies in the AA, which is lower than the percentage of owner-occupied housing units in moderate-income geographies at 3.3%.

The following table shows FNB’s distribution of home loan originations and purchases to geographies of different income levels compared to the percentage of owner-occupied housing units in each income level geography in the AA.

Geographic Distribution of Residential Real Estate Loans in the Williamsport AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.28	0.00	3.26	7.81	87.42	82.81	8.04	9.38
Home Improvement	1.28	0.00	3.26	0.00	87.42	100.00	8.04	0.00
Home Refinance	1.28	0.00	3.26	2.27	87.42	80.68	8.04	17.05

Source: 2012 and 2013 FNB HMDA-LARs and 2010 U.S. Census data

Responses to Complaints

FNB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Community Development (CD) Test is rated satisfactory. The bank's level of responsiveness to CD needs of the AA through CD lending, qualified investments, and CD services is adequate. The qualified investment analysis considered AA needs and opportunities identified by community organizations. CD investment needs include affordable housing, particularly for low-and moderate-income senior citizens in the AA.

Columbia/Montour/Northumberland Non-MSA

Number and Amount of Community Development Loans

During the evaluation period, FNB made one qualifying CD loan for \$775 thousand in the Columbia/Montour/Northumberland AA to a housing development organization. The proceeds of this loan were used to refinance an existing loan from another lender on a mixed-use commercial property. The property consists of elderly housing, an affiliated elderly day care, and a community college nursing educational facility. A majority of the dollars of this loan were used to provide affordable housing and community services targeted to low- or moderate-income elderly persons in the AA.

Number and Amount of Qualified Investments

The bank did not make any qualifying investments in the Columbia/Montour/Northumberland AA during the evaluation period. FNB made two qualifying investments prior to the current evaluation period. Funds from these investments were utilized to construct apartments for low- and moderate-income elderly persons. The book values of these prior period investments are \$891 thousand and \$7 thousand, respectively, as of December 31, 2014.

FNB also funded eight grants and donations during the evaluation period totaling \$2,900 to organizations that provide services to low- and moderate-income individuals in the AA.

Extent to Which the Bank Provides Community Development Services

FNB provides convenient, accessible, and free or reasonably priced products and services through its branch network to meet the financial needs of its AA. The bank offers the following free products to its customers: Simply Checking and Prime Life Checking accounts (for individuals of at least 50 years of age). There are no monthly maintenance fees or daily balance requirements on these accounts, and both accounts have a 'No annual Fee' Relationship Rewards Visa Debit Card. The bank also offers the 'Home Buyer Advantage Plus Program,' offering qualifying individuals a residential mortgage loan with a maximum loan amount of \$275 thousand, maximum LTV ratio of

97%, no PMI; and requires a minimum credit score of 640. The bank operates one branch in this AA in a moderate-income census tract, providing individuals residing in this geography with convenient accessibility to its retail branch operations. During the evaluation period, five bank employees provided CD services to six local organizations. These services focused on affordable housing and community services targeted to low- and moderate-income individuals and economic development targeted to small businesses. All of the CD services in which FNB employees participated targeted identified community needs.

An FNB officer served on the Board of Directors and as a committee member of the Low Interest Loan Fund Panel for a local organization, which represents the business community on matters of economic, educational, political, social, and cultural concerns.

An FNB mortgage originator served as the Treasurer of a local business alliance that promotes revitalization of a downtown business area that was classified as a distressed census tract in 2010 and 2011.

An FNB officer provided first-time homebuyers counseling and input on the purchase and rehabilitation of distressed homes in a local AA borough. The officer provided this service through the First-Time Homebuyers Program Board of a local Housing Authority.

An FNB officer served as a Board member for a local agency that promotes socialization and provides vocational assessment, training, and employment opportunities to low- and moderate-income persons with disabilities.

An FNB consumer lender served as a Board member and allocation request reviewer for a local community service organization that identifies underlying causes of the most significant local issues, develops strategies to address these issues, and pulls together financial and human resources. This employee reviewed allocation requests of the local agencies served by this organization. Out of 16 local agencies, 11 allocated funds to programs that support low- and moderate-income individuals.

An FNB mortgage sales manager served as the Treasurer for a community service organization that works to meet the health and human service needs in the local community. This employee reviewed financial information, including the determination of subsidized memberships for low- and moderate-income applicants.

Responsiveness to Community Development Needs

FNB's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in the Columbia/Montour/Northumberland AA. Identified needs include affordable housing and community services targeted to low- and moderate-income individuals and economic development to small businesses. FNB met these needs by:

- Originating one CD loan for \$775 thousand, representing 2% of Tier one capital plus the allowance for loan and lease losses (ALLL).
- Providing \$2,900 in grants and donations that benefit low- and moderate-income families. Additionally, the book value of two prior period qualifying investments totals \$898 thousand. Total investments and donations made in the AA represent 2.3% of Tier one capital plus the ALLL.
- Five employees provided technical assistance to six CD organizations that benefit low- and moderate-income individuals as well as small businesses.

Williamsport, PA – MSA 48700 (Lycoming County)

Number and Amount of Community Development Loans

During the evaluation period, FNB made one qualifying CD loan for \$5.6 million in the Williamsport AA to a community recreational organization. The organization used the loan proceeds to construct a new recreational facility in a low-income census tract in Lycoming County. The construction of this facility revitalizes and stabilizes a low-income area in the bank’s AA.

Number and Amount of Qualified Investments

During the evaluation period, FNB made one qualifying investment for \$2.5 million to a community recreational organization through the New Markets Tax Credit (NMTC) Program. The proceeds from this investment were used to construct a new recreational facility in a low-income census tract in Lycoming County. The bank provided \$825 thousand of this investment and received credit for an additional \$1.67 million through its partnership with the Central Pennsylvania Financial Corporation (CPFC). The CPFC is a Community Development Entity (CDE) that passed the entire Qualified Equity Investment (QEI) along to the bank.

FNB made two qualifying investments prior to the current evaluation period. Funds from these investments were utilized to construct apartments for low- and moderate-income elderly persons. The book values of these prior period investments are \$700 thousand and \$22 thousand, respectively, as of December 31, 2014.

FNB also made two donations during the evaluation period totaling \$10,250 to organizations that provide services to low- and moderate-income individuals in the AA.

Extent to Which the Bank Provides Community Development Services

The bank offers the same products and services throughout each of its branch locations. Therefore, the same low cost and free products and services described in the Columbia/Montour/Northumberland CD Services section of this PE are also applicable to the Williamsport AA. The bank does not operate any branches in the Williamsport AA

in low- or moderate-income geographies. However, the AA's one branch is located within reasonable proximity to the AA's one low-income and two moderate-income census tracts.

During the evaluation period, two bank employees provided CD services to two local organizations. These services focused on community services targeted to low- and moderate-income AA individuals and economic development targeted to small businesses. Both of the CD services in which FNB employees participated targeted identified community needs.

An FNB officer provided technical assistance to an organization that provides financing needed to create business and ensure economic prosperity in the AA. The officer reviewed loan requests for the small business revolving loan fund for this agency.

An FNB commercial relationship manager served on the finance committee of a community service organization that works to meet the health and human service needs in the local community. This employee reviewed financial information, including the determination of subsidized memberships for low- and moderate-income applicants.

Responsiveness to Community Development Needs

FNB's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in the Williamsport AA. Identified needs include affordable housing and community services targeted to low- and moderate-income individuals. FNB met these needs by:

- Originating one CD loan for \$5.6 million; representing 14% of Tier one capital plus the ALLL.
- Making one qualified investment for \$2.5 million and two donations totaling \$10,250. Additionally, the book value of two prior period qualifying investments totals \$722 thousand. Total investments and donations made in the AA represent 8% of Tier one capital plus the ALLL.
- Two employees provided technical assistance to two CD organizations that benefit low- and moderate-income individuals.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.