



PUBLIC DISCLOSURE

January 05, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Swineford National Bank
Charter Number 7003

227 East Main Street
Middleburg, PA 17842

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 Outstanding.

The Lending Test is rated Outstanding.

- The loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, and the credit needs of the Assessment Areas (AA).
- The bank originated a substantial majority of its loans to borrowers within its AA.
- The distribution of loans to borrowers reflects more than reasonable penetration among borrowers of different income levels.
- The distribution of loans to borrowers reflects reasonable dispersion among low- and moderate-income geographies.
- There were no complaints regarding Community Reinvestment Act (CRA) activities.

Scope of the Examination

The OCC evaluated Swineford National Bank ("SNB") under the "Small Bank Examination Procedures." The evaluation period for the Lending Test, with the exception of Community Development (CD) loans, is from January 1, 2012 through December 31, 2013.

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 SNB based on its activity.

This PE was completed using a Limited Data Analysis. The evaluation period for the Lending Test, with the exception of Community Development (CD) loans, is from January 1, 2012 through December 31, 2013. Conclusions regarding the bank's lending performance are based on home mortgage loans and optional data provided by the bank, including lending information on small loans to businesses, and small loans to farms. The OCC considers this approach to be reasonable for SNB based on its activity.

Under the small bank evaluation procedures, we would not typically evaluate SNB under the CD test, which evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services. However, at SNB's option, we considered CD loans for the period of September 8, 2010 through January 5, 2015.

Data Integrity

SNB is not a HMDA reporter, as the bank does not have a branch within an MSA. However, the bank does collect data per the Fair Housing Loan Data System (FHHLDS) pursuant to 12 CFR Part 27. Prior to this PE, we tested the accuracy of SNB's home mortgage, small business, and farm loan data. We selected a random sample of 60 loan files for testing per year from the FHHLDS and 60 loans per year from the bank's CRA-LAR. Results of this testing evidenced the data is reasonably accurate and reliable for this CRA evaluation. We also verified CD loans submitted by management to ensure that they met the regulatory definition of community development.

Description of the Institution

SNB is a federally chartered intrastate community bank headquartered in Middleburg, Pennsylvania. The bank is located approximately 35 miles north/northwest of Harrisburg, Pennsylvania. SNB 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 affiliate banks, including SNB, in Pennsylvania, Maryland, Delaware, Virginia, and New Jersey. Through FFC non-bank subsidiaries, SNB offers trust, brokerage, and investment management services via Fulton Financial Advisors; life insurance and insurance related products via Fulton Insurance Services Group, Inc.; and, residential mortgages through Fulton Mortgage Company.

As of September 30, 2014, SNB had total assets of \$290 million and Tier one capital of \$31.4 million. SNB reported net loans of \$201 million and deposits of \$244 million. The loan portfolio is comprised of residential real estate mortgages (47%), non-farm/non-residential loans (19%), commercial loans (14%), farm/agricultural loans (7%), construction loans (4%), and consumer (4%) loans.

SNB operates seven full-service branches in Snyder, Union, and Northumberland counties in Central Pennsylvania. The main office is located in Middleburg, Snyder County. Three other branches are located in Snyder County, in the towns of Beaver Springs, Mt. Pleasant Mills, and Hummelswharf. The Mifflinburg and Lewisburg branches are located in Union County, while the Sunbury branch is located in Northumberland County. The Sunbury branch is located in a moderate-income census tract (CT). The remaining six branches are located in middle-income CTs. All seven branches have automated teller machines (ATMs), drive-through services, and extended Friday evening and Saturday morning hours. 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. SNB also offers online banking and bill pay, mobile banking, and bank-by-phone services. Table 1 represents the branch and deposit distribution, as of June 30, 2014, by CT income category.

Table 1 - Distribution of Branch Offices in the Assessment Area		
Census Tract Income Category	Branch Distribution	
	% of Branches	% of Deposits
Low	0%	0%
Moderate	14%	11%
Middle	86%	89%
Upper	0%	0%
Total #	7	242,211

Source: FDIC Deposit Market Share Report as of June 30, 2014

SNB’s business strategy is to offer a community-oriented style of banking that fosters long-term relationships with both customers and employees. SNB is a full service bank offering a wide range of commercial and personal banking products. Commercial banking services and products 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 services and products 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 loans up to \$275 thousand with a maximum loan-to-value ratio of 97% and no private mortgage insurance; and requires a credit score of at least 640.

The bank has no financial impediments that would affect its ability to meet the credit needs of its assessment areas. The bank received a “Satisfactory” rating at the prior CRA performance evaluation dated September 7, 2010. This prior evaluation was performed under the Large Bank Examination Procedures.

Description of the Assessment Area(s)

SNB’s AA consists of all of Snyder and Union Counties, Pennsylvania, and the northwestern part of Northumberland County, Pennsylvania. SNB designated only the portion of Northumberland County it could reasonably service, which includes 10 of 24 CTs. The bank’s Sunbury branch is the only physical presence within Northumberland County. Furthermore, SNB's affiliate bank, FNB Bank, N.A. (FNB) operates in Northumberland County and therefore SNB only services the immediate surrounding areas to the Sunbury branch. FNB services the other areas of Northumberland County. All three counties are located in a Non-Metropolitan Statistical Area in north central Pennsylvania. The AA contains a total of 28 CTs and there is no evidence of exclusion of any low- or moderate-income CTs.

Of the 28 CTs, one or 4% is low-income, three or 11% are moderate-income, nineteen or 68% are middle-income, two or 7% are upper-income, and three or 11% are non-rated. The low-income tract originally included low-to-moderate income housing, which was subsequently purchased by Susquehanna University (University) in April 2011 for student housing. University facilities comprise the majority of the low-income tract within the bank's AA. The 3 non-rated CTs are all located within Union County and comprised of Allenwood Federal Prison, Lewisburg Penitentiary, and the Bucknell University golf course.

The 2010 U.S. Census reported the total population of the AA at 129,848. Within the AA, there are 33,488 families and 48,247 households. There are 53,452 housing units, of which 34,568 are owner-occupied, 13,679 are rental-occupied, and 5,205 are vacant. Approximately 0.03% of owner-occupied housing is located in low-income geographies, 6% is located in moderate-income geographies, 85% is located in middle-income geographies, and 9% is located in upper-income geographies. The median housing cost is \$124,275.

The 2010 median family income was \$52,966. The HUD updated median family income for 2013 was \$55,300. Approximately 18% of families are low-income, 21% are moderate-income, 24% are middle-income, and 37% are upper-income. Approximately 8% of families and 12% of households are below the poverty line.

SNB's competition primarily comes from branches of regional financial institutions and credit unions. According to the June 30, 2014 Financial Deposit Insurance Corporation (FDIC) Summary of Deposit Market Share Report, SNB's deposit market share within the Snyder/Union/Northumberland AA is 11%, ranking the bank third out of 19 institutions. Primary competitors are Northumberland National Bank, West Milton State Bank, Mifflinburg Bank and Trust Company, Susquehanna Bank, Manufacturers & Traders Trust Co., and FNB of PA.

SNB is not required to report HMDA loan originations or purchases. Therefore, the bank's lending activity is not documented in any market share analysis of 2010 U.S. Census Data. However, 2012 peer mortgage data based upon 2010 U.S. Census Data shows there were 210 lending institutions competing for 3,767 mortgage applications within SNB's AA. The top three lending institutions had a total market share of 29%. Wells Fargo, N.A. had a 13% market share with 484 applications; Service 1st FCU had a 9% market share with 337 applications; and FNB of PA had a 7% market share with 277 applications. During the evaluation period of January 1, 2012 to December 31, 2013, SNB received 583 applications and originated and/or purchased 479 home mortgage loans.

Tables 2 summarize the AA’s demographics

Table 2 – Assessment Area Demographic Information								
Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	17.93%	1	0.31%	0.03%	1.16%	0.14%	0	40
Moderate	21.26%	3	9.70%	6.14%	17.13%	9.47%	68,941	71
Middle	23.67%	19	82.67%	84.70%	77.87%	82.47%	127,091	44
Upper	37.14%	2	7.26%	9.11%	3.69%	7.85%	183,574	37
NA	0.00%	3	0.06%	0.03%	0.15%	0.07%	0	43
Total #	33,488	28	53,452	34,568	13,679	45,659	124,274	46

Source: 2010 U.S. Census Data

The current local economy for the AA is characterized as stable. The November 2014 unemployment rates were 4.2%, 4.3%, and 5.1%, for Snyder, Union, and Northumberland Counties, Pennsylvania, respectively. These rates compare favorably to the national average of 5.8% and the Pennsylvania state average of 4.6% during the same time period.

During the examination, we contacted a local community organization whose primary purpose is to represent the best interests of businesses and citizens in Montour, Northumberland, Snyder, and Union Counties, Pennsylvania. The contact is located in Snyder County. The contact stated the “micro-economy is rebounding and on the verge of surging.” The contact specifically mentioned the Central Susquehanna Valley Thruway, a largely state-funded \$615 million highway project which will expand and extend Routes 11 and 15 and create up to 2,000 jobs. Also in the region, the contact mentioned activity from Marcellus Shale, a coal burning plant that will be the first in the nation to convert to a natural gas burning plant and create up to 400 jobs.

The contact opined the banking needs in the community are being met by local financial institutions, and established customers do not have any problems accessing credit. However, “young entrepreneurs are a more risky pool for traditional banks” and a need exists. It is also the contact’s opinion that there are plenty of opportunities for banks to become involved in existing community development projects and position themselves for involvement in future projects. Further, it is the contact’s opinion that SNB is the leader in terms of local institutions meeting the needs of the community.

Conclusions with Respect to the Lending Test

SNB’s performance under the lending test meets the standards for an Outstanding rating. The bank’s loan-to-deposit ratio is more than reasonable. A substantial majority of SNB’s home mortgage, small business, and farm loans were made in the bank’s AA. The distribution of loans to borrowers reflects more than reasonable penetration among individuals of different income levels. The distribution of loans to borrowers reflects reasonable dispersion among low- and moderate-income geographies. SNB has not received any CRA complaints during this evaluation period.

Loan-to-Deposit Ratio

SNB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the credit needs of the AA. The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. The bank's net loan-to-deposit ratio over the 19 quarters since the last evaluation, ending September 30, 2014, was 78.5%. During this time period, the ratio ranged from a quarterly low of 74% to a quarterly high of 83%. The bank's ratio compares more favorably than the average of eleven similarly sized and situated financial institutions representing banks and thrifts with total assets between \$100 million and \$350 million operating in the state of Pennsylvania. The net loan-to-deposit ratio for this custom peer group was 72.3% over the same 19 quarters. The ratios ranged from a quarterly low of 68% to a quarterly high of 77% during that time period.

Lending in Assessment Area

A substantial majority of SNB's home mortgage, small business, and farms loans were made within the bank's AA, exceeding the standards for satisfactory performance. During the evaluation period, 84% of the total number and 82% of the total dollar amount of home mortgage loans were made inside the bank's AA. The number of home mortgage loans originated by product type within the AA are as follows: 83% of the number and 82% of the total dollar amount are home purchase loans, 93% of the number and 93% of the total dollar amount are home improvement loans, and 84% of the number and 82% of the dollar amount are home refinance loans. Regarding small loans to businesses, 86% of the number and 81% of the dollar amount were originated within the AA, while 75% of the number and 60% of the dollar amount of farm loans were made within the AA. Table 3 illustrates the bank's lending during the evaluation period within the AA and the dollar amount of loans.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	86	82.69%	18	17.31%	104	\$12,329	82.42%	\$2,629	17.58%	\$14,958
Improvement	26	92.86%	2	7.14%	28	\$2,995	92.90%	\$229	7.10%	\$3,224
Refinance	367	83.98%	70	16.02%	437	\$43,023	81.55%	\$9,736	18.45%	\$52,759
Total Mortgage	479	84.18%	90	15.82%	569	\$58,347	82.25%	\$12,594	17.75%	\$70,941
Small Business	103	85.83%	17	14.17%	120	\$15,872	80.71%	\$3,793	19.29%	\$19,665
Farm	44	74.58%	15	25.42%	59	\$4,832	60.20%	\$3,195	39.80%	\$8,027

Source: SNB Provided FHHLDS Lending Summary and Business Loan Data 2012 - 2013

During the evaluation period, SNB also originated two Community Development loans totaling approximately \$64.8 thousand or 0.21% of Tier one capital. Loans were made to an agency that provides community programs to assist low- or moderate-income children and another to an agency that purchases and renovates homes for a lease-to-own program for low- or moderate-income individuals within the bank's AA.

Lending to Borrowers of Different Incomes

The distribution of home loans to borrowers reflects more than reasonable penetration among individuals of different income levels within the bank's Snyder/Union/Northumberland AA, exceeding the standards for satisfactory performance. The percentage of home loans made to low-income borrowers is 6.3%, which is lower than the percentage of low-income families at 17.9%, but slightly exceeding peer at 5.7%. The percentage of home loans made to moderate-income borrowers is 24.4%, which exceeds the percentage of moderate-income families at 21.3% and peer originations at 17.0%.

In our analysis, we considered the lack of affordability for a low-income family to purchase a home. Based on the 2010 U.S. Census data, the median housing cost in the bank's AA is \$124,274. The 2013 HUD updated median family income is \$55,300. This means that a low-income person earns less than \$27,650 and a moderate-income person earns more than \$27,650 but less than \$44,240. Additionally, 5,967 or 12% of households are below the poverty line and are considered very low-income. This lack of affordability limits the opportunities for home purchase, home improvement, and home refinance lending to low- and moderate-income families.

Table 4 shows the distribution of home loans among borrowers of different income levels for the period of January 1, 2012 through December 31, 2013, as compared to the percent of families in each income category. Table 5 depicts the maximum income amount for each income range in the bank's AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	17.93%	5.95%	21.26%	30.95%	23.67%	23.81%	37.14%	39.29%
Home Improvement	17.93%	8.00%	21.26%	40.00%	23.67%	20.00%	37.14%	32.00%
Home Refinance	17.93%	6.41%	21.26%	22.56%	23.67%	26.18%	37.14%	44.85%
Total Mortgage	17.93%	6.26%	21.26%	24.43%	23.67%	24.84%	37.14%	42.17%

Source: SNB Provided FHHLDS Lending Summary 2012 - 2013; 2010 U.S. Census Data

Income Category	Maximum Income in for Income Range				2013 Median Family Income (MFI)
	Low	Moderate	Middle	Upper	
% Range of MFI	<50%	50%-<80%	80%-<120%	≥120%	
Snyder/Union/Northumberland AA	\$27,650	\$44,240	\$66,360	\$66,360	\$55,300

Source: 2010 US Census; 2013 HUD updated MFI

Geographic Distribution of Loans

The distribution of home loans to borrowers reflects reasonable dispersion among low- and moderate-income geographies within the bank’s Snyder/Union/Northumberland AA, and meets the standards for satisfactory performance. The bank did not make any home purchase or home improvement loans to borrowers in low-income geographies during the evaluation period. The percentage of home refinance loans made to borrowers in low-income geographies is 0.27%, which exceeds the percentage of owner-occupied housing in the low-income geographies of 0.03%. Opportunities for lending in these areas are very limited as only one of the bank’s 28 CTs (4%) is designated as low-income. This low-income tract is almost entirely comprised of Susquehanna University facilities. At the time of the 2010 U.S. Census, this tract included low- and moderate-income housing (rental units), which was subsequently sold to the University in April 2011 and since converted into student housing. Of 34,568 owner-occupied units with the bank’s AA, only 10 are located in low-income geographies. The bank originated one loan in a low-income geography.

The percentage of home purchase and home refinance loans made in moderate-income geographies, 3.49% and 3.83%, respectively, falls below the percentage of owner-occupied housing in the moderate-income geographies in the AA of 6.1%. The bank did not make any home improvement loans in moderate-income geographies. Opportunities to lend in moderate-income geographies are also somewhat limited as only three of the bank’s CTs (11%) are designated as moderate-income.

Table 6 details the bank’s performance as compared to the percentage of owner-occupied housing in each CT income category as well as aggregate peer performance.

Geographic Distribution of Residential Real Estate Loans in Snyder/Union/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	0.03	0.00	6.14	3.49	84.72	81.40	9.11	15.12
Home Improvement	0.03	0.00	6.14	0.00	84.72	88.46	9.11	11.54
Home Refinance	0.03	0.27	6.14	3.83	84.72	85.25	9.11	10.66

Source: SNB Provided FHHLDS Lending Summary 2012 – 2013; 2010 U.S. Census Data

Responses to Complaints

During the evaluation period there were no complaints related to the bank’s performance in meeting the credit needs of the AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. Part 25.28(c), or 12 C.F.R. Part 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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